Jennifer G. Fusco
(t) 203.786.8316
(f) 203.772.2037
jfusco@uks.com

June 28, 2017

Yvonne T. Addo, MBA
Deputy Commissioner
State of Connecticut Department of Public Health
Office of Health Care Access Division
410 Capitol Avenue, MS #1 HCA
P.O. Box 340308
Hartford, CT 06134-0308

Re: Transfer of Ownership of Western Connecticut Orthopedic Surgical Center

Dear Deputy Commissioner Addo:

This office represents SCA-Western Connecticut, LLC ("SCA-Western Connecticut"). SCA-Western Connecticut currently owns 49% of the membership interests in Western Connecticut Orthopedic Surgical Center, LLC ("WCOSC, LLC"), which owns and operates Western Connecticut Orthopedic Surgical Center in Danbury.

Enclosed for your consideration please find the following:

- USB flash drive containing a PDF of the Certificate of Need Application for the transfer of a majority interest in WCOSC, LLC to SCA-Western Connecticut, as well as a Word version of the application forms and an Excel workbook with the CON financials; and
- $500 filing fee check.

Please feel free to contact me with any questions. We look forward to working with you on this matter.

Very truly yours,

Jennifer Groves Fusco

RECEIVED
JUN 29 2017
Department of Public Health
Office of the Commissioner

JGF/dla

Cc: Eric Swenson

SCA

Surgical Care Affiliates

WCOSC WESTERN CONNECTICUT ORTHOPEDIC SURGICAL CENTER

Certificate of Need Application

Western Connecticut Orthopedic Surgical Center, LLC & SCA-Western Connecticut, LLC

Transfer of Ownership of Western Connecticut Orthopedic Surgical Center

June 29, 2017

Checklist

Instructions: Review each item below and check box when completed. **[Checklist *must* be submitted as the first page of the CON application.]**

☒ A completed CON Main Form, including an affidavit signed and notarized by the appropriate individuals. CON forms can be found at OHCA Forms.

☒ A completed Supplemental Form specific to the proposal type (see next page to determine which Supplemental Form to include in the application).

☒ Attached is the CON application filing fee in the form of a certified, cashier or business check in the amount of $**500** paid to "**Treasurer State of Connecticut.**"

☒ Attached is evidence demonstrating that public notice has been published for 3 consecutive days in a newspaper that covers the location of the proposal. Use the following link to help determine the appropriate publication: Connecticut newspapers. **The application must be submitted no sooner than 20 days, but no later than 90 days from the last day of the newspaper notice.**

The following information **must** be included in the public notice:

- A statement that the applicant is applying for a certificate of need pursuant to section § 19a-638 of the Connecticut General Statutes;
- A description of the scope and nature of the project;
- The street address where the project is to be located; and
- The total capital expenditure for the project.

(Please fax (860-418-7053) or email (OHCA@ct.gov) a courtesy copy of the newspaper order confirmation to OHCA at the time of publication.)

☒ A completed Financial Worksheet specific to the application type.

☒ All confidential or personally identifiable information (e.g., Social Security number) has been redacted.

☒ Submission includes one USB flash drive containing:

1. A scanned copy of each submission in its entirety*, including all attachments in Adobe (.pdf) format.
2. An electronic copy of the applicant's responses in MS Word (the application) and MS Excel (the Financial Worksheet).

***All application components (e.g., Main Form, Supplemental Form, Financial Worksheet and Exhibits) should be compiled and paginated sequentially from beginning to end.**

Note: OHCA hereby waives requirement to file any paper copies.

☒ All submissions should be emailed to **OHCA@ct.gov**.

For OHCA Use Only:

Docket No.: _____ Check No.: _____

OHCA Verified by: _____ Date: _____

Supplemental Forms

In addition to completing this **Main Form** and **Financial Worksheet (A, B or C)**, the applicant(s) must complete the appropriate **Supplemental Form** listed below. Check the box of the **Supplemental Form** to be submitted with the application, below. If unsure which form to select, please call the OHCA main number (860-418-7001) for assistance. All CON forms can be found on OHCA's website at OHCA Forms.

Check form included	Conn. Gen. Stat. Section 19a-638(a)	Supplemental Form
☐	(1)	**Establishment of a new health care facility (mental health and/or substance abuse)** - *see note below**
☒	(2)	**Transfer of ownership of a health care facility** (excludes transfer of ownership/sale of hospital – see "Other" below)
☐	(3)	**Transfer of ownership of a group practice**
☐	(4)	**Establishment of a freestanding emergency department**
☐	(5) (7) (8) (15)	**Termination of a service:** - inpatient or outpatient services offered by a hospital - surgical services by an outpatient surgical facility** - emergency department by a short-term acute care general hospital - inpatient or outpatient services offered by a hospital or other facility or institution operated by the state that provides services that are eligible for reimbursement under Title XVIII or XIX of the federal Social Security Act, 42 USC 301, as amended
☐	(6)	**Establishment of an outpatient surgical facility**
☐	(9)	**Establishment of cardiac services**
☐	(10) (11)	**Acquisition of equipment:** - acquisition of computed tomography scanners, magnetic resonance imaging scanners, positron emission tomography scanners or positron emission tomography-computed tomography scanners - acquisition of nonhospital based linear accelerators
☐	(12)	**Increase in licensed bed capacity** of a health care facility
☐	(13)	**Acquisition of equipment utilizing [new] technology** that has not previously been used in the state
☐	(14)	**Increase of two or more operating rooms** within any three-year period by an outpatient surgical facility or short-term acute care general hospital
☐	Other	**Transfer of Ownership / Sale of Hospital**

*This supplemental form should be included with all applications requesting authorization for the establishment of a **mental health and/or substance abuse treatment facility**. For the establishment of other "health care facilities," as defined by Conn. Gen. Stat § 19a-630(11) - hospitals licensed by DPH under chapter 386v, specialty hospitals, or a central service facility - complete *the Main Form* only.

**If termination is due to insufficient patient volume, or it is a subspecialty being terminated, a CON is not required.

TABLE OF CONTENTS

ATTACHMENT I

06/26/2017 UPDIKE, KELLY & SPELLACY, P.C.

VENDOR #: 521 Treasurer, State of Connecticut CHECK NO.: 180591

DATE	INVOICE NUMBER	DESCRIPTION	AMOUNT
06-26-2017	76082-18 62617	WCOSC CON Application	500.00
		TOTAL:	500.00

UPDIKE, KELLY & SPELLACY, P.C.
COUNSELORS AT LAW
100 PEARL STREET
P.O. BOX 231277
HARTFORD, CT 06123-1277
(860) 548-2600

Bank of America
HARTFORD, CT 06103
51-57/119

CHECK NO.: 180591

VOID IF NOT CASHED WITHIN 120 DAYS

CHECK DATE
06/26/17
CHECK AMOUNT
$500.00

PAY FIVE HUNDRED AND 00/100 Dollars

TO THE ORDER OF Treasurer, State of Connecticut

UPDIKE, KELLY & SPELLACY, P.C.

BY _____
AN AUTHORIZED OFFICER OR AGENT

[redacted] [redacted] [redacted]

ATTACHMENT II

Affidavit

Applicant: **SCA-Western Connecticut, LLC**

Project Title: **Transfer of Membership Interests in Western Connecticut Orthopedic Surgical Center, LLC to SCA-Western Connecticut, LLC**

I, SAPTARSHI SINHA, MANAGER
(Name) (Position – CEO or CFO)

of SURGICAL CARE AFFILIATES- WCOS 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

JUNE 13, 2017
Date

Subscribed and sworn to before me on June 13, 2017

Barbara Elliott
Notary Public/Commissioner of Superior Court

COMMONWEALTH OF PENNSYLVANIA
NOTARIAL SEAL
Barbara Elliott, Notary Public
Derry Twp., Dauphin County
My Commission Expires June 29, 2020
MEMBER, PENNSYLVANIA ASSOCIATION OF NOTARIES

My commission expires: June 29, 2020

Affidavit

Applicant: **Western Connecticut Orthopedic Surgical Center, LLC**

Project Title: **Transfer of Membership Interests in Western Connecticut Orthopedic Surgical Center, LLC to SCA-Western Connecticut, LLC**

I, Richard L. Sharff, Jr., (Name) RLS (Position – Vice President and General Counsel)

of Surgical Care Affiliates, LLC 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

Subscribed and sworn to before me on June 16, 2017

Notary Public/Commissioner of Superior Court

My commission expires: REGINA G. BIDDINGS My Commission Expires January 11, 2021

ATTACHMENT III

HEARST | CONNECTICUT MEDIA GROUP

CONNECTICUT POST | THE NEWS-TIMES | THE ADVOCATE | The Hour | GREENWICH TIME
Darien News | Fairfield Citizen | New Canaan News | The Spectrum | Westport News | Wilton Villager

UPDIKE/KELLY SPELLACY
100 Pearl St.
17th Fl
HARTFORD CT 06103

AFFIDAVIT OF PUBLICATION

STATE OF CONNECTICUT
COUNTY OF FAIRFIELD

I, _____
Being duly sworn, depose and say that I am a Representative in the employ of HEARST CONNECTICUT MEDIA GROUP, Publisher of the Danbury News-Times, that a LEGAL NOTICE as stated below was published in the Danbury News-Times.

Subscribed and sworn to before me on this 19th Day of June, A.D. 2017.

Sharon R Boroskey
Notary Public

My commission expires on

SHARON R BOROSKEY
Notary Public, State of Connecticut
My Commission Expires Oct 31, 2021

PO Number

Ad Caption
LEGAL NOTICE Western Conn

Publication
Danbury News-Times

Ad Number
0002257020-01

Publication Schedule
6/ 1/2017, 6/ 2/2017, 6/ 3/2017

LEGAL NOTICE

Western Connecticut Orthopedic Surgical Center, LLC and SCA-Western Connecticut, LLC are filing a Certificate of Need Application pursuant to Section 19a-638(a)(2) of the Connecticut General Statutes. SCA-Western Connecticut, LLC, which owns 49% of Western Connecticut Orthopedic Surgical Center, LLC, will request CON approval to acquire a 60% controlling interest in the company, which owns and operates Western Connecticut Orthopedic Surgical Center, located at 226 White Street, Danbury, Connecticut 06810. The total capital expenditure associated with acquisition of the 11% of membership interests being purchased as part of this transaction is $4,926,743.

THE NEWS-TIMES

CLASSIFIED
MARKETPLACE

SOUTHERN CTJOBS

203-333-4151 | classifieds@hearstmediact.com | Hours: 8:30 a.m.–4:30 p.m., M-F | Major Credit Cards Accepted

FORECLOSURE NOTICE

LEGAL NOTICE
FORECLOSURE AUCTION SALE
DOCKET NO.:
DBD CV 16 6017098-S

Case Caption:
Connecticut Housing Finance Authority vs. Defino, Douglas
Property Address:
20 Oakland Avenue,
Unit 4A, Danbury, CT 06810
Property Type:
Residential Condominium Unit
Date of Sale:
June 10, 2017
Committee Name:
Christopher O. Winans, Esq.
Committee Phone:
203-748-4888 x 140
See Foreclosure Sales at www.jud.ct.gov for more detailed information

LEGAL NOTICE
FORECLOSURE AUCTION SALE

Docket No. DBD CV 166019888S
WELLS FARGO BANK, NATIONAL ASSOCIATION, AS TRUSTEE v. FERONY, RICHARD Et Al
PROPERTY ADDRESS:14 Charcoal Ridge West, New Fairfield, Connecticut
PROPERTY TYPE: Residential
Date of Sale: June 03, 2017
Steven Das DeMoura, Esq.
Committee
276 Greenwood Avenue, Bethel, CT 06810
(203) 616-9040

See Foreclosure Sales at www.jud.ct.gov for more detailed information

LEGAL NOTICE
FORECLOSURE AUCTION SALE
Docket No.
DBD-CV-16-6020814S,

CITIMORTGAGE, INC., V. KARL E. SVENDBERG, THE WIDOW, HEIRS, BENEFICIARIES, DEVISEES, REPRESENTATIVES AND/OR CREDITORS OF THE ESTATE, ET AL
Property Address:
68 Lavelle Avenue,
New Fairfield, CT 06812
Property type: Residential
Date of Sale:
June 10, 2017 at 12:00 noon on the premises
Committee Name:
ATTORNEY SHARON WICKS DORNFELD
Committee Phone Number:
203-746-3303
See Foreclosure Sales at www.jud.ct.gov for more detailed information.

LEGAL NOTICE
FORECLOSURE AUCTION SALE
Docket No. DBD
CV16-6018680-S

Case Name: Onewest Bank, NA vs. David Ryan, et al.
Property Address:
28 Shore Rd 4
31 Hawthorne Cove Rd,
Danbury, CT
Property Type: Residential
Date of Sale: June 3, 2017
Committee Name:
Christopher P. Norris, Esq.
Committee Phone Number:
(203)746-2671
See Foreclosure Sales at www.jud.ct.gov for more detailed information

LEGAL NOTICE
FORECLOSURE AUCTION SALE
Docket No.
DBD-CV16-6019405S

City of Danbury vs. Laurie Loud, et al
Property Address:
Triangle Street,
Assessor's Lot# K14023
Danbury, CT
Property Type: Residential
Date of Sale: June 10, 2017
Committee Name: Robin A. Kahn
Committee Phone Number:
203-792-2771
See Foreclosure Sales at www.jud.ct.gov for more detailed information

PUBLIC NOTICES

LEGAL NOTICE

Notice is hereby given that the Zoning Commission of the City of Danbury will hold a public hearing on June 13, 2017, commencing at 7:35 PM in the City Council Chambers, 155 Deer Hill Ave. to consider the following matter:

Petition of 46 Mill Plain LLC, 3-13 Mill Plain Rd. & Amity La. (E15038, E15039, & E15040) for Change of Zone from CRP to RH-3 & CA-80.

A copy of the application is on file in the office of the Department of Planning & Zoning for public inspection.

Robert C. Melillo, Chairman

LEGAL NOTICE

Western Connecticut Orthopedic Surgical Center, LLC and SCA-Western Connecticut, LLC are filing a Certificate of Need Application pursuant to Section 19a-638(a)(2) of the Connecticut General Statutes. SCA-Western Connecticut, LLC, which owns 49% of Western Connecticut Orthopedic Surgical Center, LLC, will request CON approval to acquire a 60% controlling interest in the company, which owns and operates Western Connecticut Orthopedic Surgical Center, located at 226 White Street, Danbury, Connecticut 06810. The total capital expenditure associated with acquisition of the 11% of membership interests being purchased as part of this transaction is $4,920,743.

LEGAL NOTICE

The Bethel Planning & Zoning Commission will hold a public hearing on

June 13th 2017, at 7:00pm in the Bethel Municipal Center, Room D, 1 School Street, Bethel Connecticut to hear the application of Konstantine Karakostas to construct an accessory apartment at 50 Weed Road. This property can be found in the Tax Assessor's Office as Map 72, Block 104, and Lot 12-2.

At this hearing interested persons will be heard and written communications will be received. Plans are available to review in The Land Use Department.

Dated this 30th day of May 2017 at Bethel Connecticut.

Pat Rist
Chairman

LEGAL NOTICE

The Zoning Board of Appeals of the City of Danbury will hold a regular meeting on June 8, 2017, at 7:00 PM in the City Council Chambers at City Hall, 155 Deer Hill Avenue, to hear the following applications:

#17-17 - Debra & Frederick Burger, 79 Post Rd. (I12206S) Sec. 4.A.3., reduce side setback from 15' to 8.7' & reduce front setback from 30' to 6' to add garage & studio. (RA-20 Zone)

#17-18 - City of Danbury, 357 Main St. (I11300S) Sec. 8.E.5.a., reduce sign location from required 10' from front property line to 1.5'. (C-CBD Zone)

#17-19 - Brian & Suzanne McNally, 49 Clearview Ave. (K04096), Sec. 4.A.3., reduce front yard setback from 30' to 18.8 ± for front porch. (RA-20 Zone)

Richard E. Jervis, Chairman

CITY OF DANBURY
LEGAL NOTICE

Pursuant to Connecticut General Statute 22-338, all dogs six months of age and over are required to be licensed in the month of June. The fee for licensing will be $8.00 for spayed/neutered dogs and $19.00 for male/female dogs.

DOG LICENSES MAY BE RENEWED IN PERSON OR BY MAIL AND CANNOT BE ISSUED BEFORE JUNE 1st

If licensing for the first time, it will be necessary to provide: name, address, phone number, name of dog, breed, age and color. You are also required to provide proof of current rabies vaccination and proof of neutering/spaying from your veterinarian when licensing your dog(s). If a renewal, you will need current documentation of your dog's rabies vaccination. If no documentation on file that your dog has been spayed or neutered you will be charged the additional fee.

Annual licenses must be obtained during the period of June 1, 2017 through June 30, 2017. After this date, you will be penalized $1.00 per month for each month you fail to license your dog(s).

The Town Clerk's Office hours are Monday through Wednesday, 7:30 am to 5:00 pm and Thursday from 7:30 am to 6:30 pm.

If renewing by mail, make checks payable to City of Danbury, enclose a stamped, self-addressed envelope, and provide copies of current rabies vaccination.

Mail to: Town Clerk's Office
City of Danbury
155 Deer Hill Ave
Danbury, CT 06810

For further information, please call the Town Clerk's Office 203-797-4531.

Janice R. Giegler, Town Clerk
Dated May 31, 2017

NOTICE OF RETIREMENT

Josef J. Burton, M.D., 41 South Main Street, New Milford, CT 06776, wishes to inform any patients not previously notified, that his practice will close on June 30th, 2017.

Medical records will be available to be picked up for sixty (60) days thereafter, at 41 South Main Street, New Milford, CT 06776, by first calling 860-355-4115.

PUBLIC NOTICES

LEGAL NOTICE
Notice of sale of other Disposition to, Connecticut State Statue Section 42-158 to 42-169.

MarbleDale Self Storage is giving notice of sale at Public Auction the Personal Property by Contents of unit to cover debt due for storage rental. Sale to be paid in cash Only at time of sale Items to be removed off the premises the same day. Tenants may claim their contents of said unit up to the time of sale by paying cash for their past debts and vacate. Sale will be held on June 13, 2017 at 10:00 AM at MarbleDale Self Storage, 182 New Milford, Turnpike, MarbleDale, CT 06777.
Arthur Connelly - Unit A*1- boxes,bins,furniture,tools, fishing items, misc.
Kelli Campbell-Unit P*15- furniture, boxes, bins, musical instruments, misc.
Mert Aregi-Unit D*13-furniture, boxes, appliances, tools, fishing items, luggage, plastic bins, misc
Jill Olsen-Unit P*14-furniture, grill
Maria Rodriquez-Unit O*14-furniture

LEGAL NOTICE
PUBLIC AUCTION

In accordance with Connecticut General Statutes, a public auction consisting of miscellaneous personal property, furniture and household goods will be held at Stor-It-All, Inc., 27 Henry St, Bethel, CT 06801 at 12:00 PM on Thursday, June 15, 2017. Stor-It-All Inc. reserves the right to cancel a sale at any time, for any reason.

Since due notice has been given to the owners and all parties known to claim an interest therein, you are each notified your personal property will be sold unless all storage and related charges are paid in full.

50 - Brian Contos
104 - Michele Bedard

Items to be sold as is, no warranty is expressed or implied. Items to be more specifically described at time of sale. Terms of payment: CASH or CERTIFIED CHECK. Stor-It-All, Inc., P.O. Box 1106, Canaan, CT 06018.
05/26/17, 06/02/17

LIQUOR PERMITS

Liquor Permit

Notice of Application

This is to give notice that I,
PASQUALINA BASTONE
7 BREWSTER WOODS DR
BREWSTER, NY 10509-4040

Have filed an application placarded 05/29/2017 with the Department of Consumer Protection for a PACKAGE STORE LIQUOR PERMIT for the sale of alcoholic liquor on the premises at
23 P T BARNUM SQ
BETHEL CT 06801-1838

The business will be owned by:
BASTONE INVESTMENTS LLC

Objections must be filed by:
07/10/2017

PASQUALINA BASTONE

GENERAL HELP WANTED

Brookfield Contractor seeking Full Time Laborer, Carpenter, Painter - Must Drive
Call office 203-740-9090 or Cell 203-253-0168

DELIVERY DRIVER/WAREHOUSE Employee- PT for Wholesale distributor. Apply in person D&S Pump & Supply Co., 3784 Danbury Rd. Brewster,NY. No calls please.

DOG GROOMER WANTED
Experience Required,
E-mail: oronoquekennel@aol.com or fax 203-732-6488

DRIVER - FT/PT for Danbury LIMO Co. Must have knowledge of NYC & airports. 203-743-1537

DRIVER- ROUTE Delivery needed, must have Class B CDL & current med. card, prev. delivery exp. helpful but will train, please e-mail resume & DMV driving history to: hidistributors36@gmail.com

DUMP RUN ASSISTANT WANTED w/ pickup truck. Call 860-323-4989

EARN EXTRA CASH
Independent contractors wanted for early morning overnight delivery routes
7 days a week.
Applicants must be mobile and have reliable transportation.
Stop out to fill out an application.
333 Main Street, Danbury, CT
or call 203-731-3474

ELECTRICIANS - LICENSED for immediate hire at well established company for work in CT & NY. Salary commensurate with experience. We offer health insurance, 401K, 40-hour work week, overtime, rate jobs at times. Call to hear what we have to offer! 203-790-6425 or Fax 203-798-8070

Golf Course MAINTENANCE- seasonal help, pays $11-$12/ hr. Candlewood Lake Club 203-846-1014

HELP WANTED, landscaping & lawn service. Please apply at illiconstructionct.com/employment

LANDSCAPERS- Crew members wanted, immediate start. Pay based on experience level. All phases of trade top dollar pay. 203-948-4384.

LANDSCAPER WANTED
New Fairfield/Danbury Area.
Call 203-746-0018

GENERAL HELP WANTED

Facility Cook–Midwestern Connecticut Council of Alcoholism, Inc. (MCCA)
We are currently looking to hire a full-time Facility Cook for our food program. This involves ensuring the safety of staff, the economical purchasing of food, the creation of nutritious menus, and the supervision and training of clients in the preparation of the meals and safety. Candidate must be able to work Friday, Saturday and Sunday day. Qualifications–The Facility Cook shall have a high school diploma. He/she will also have specialized training in cooking or at least two years of experience as a full-time cook. Safe Serve Certification is a must. Please email resume to mccajobs@mccaonline.com or fax to (203) 748-2604

LOOKING FOR telemarketers, salary + commission, will train
Call John 203-746-3030

RECEPTIONIST PT- for busy OBGYN office. Exp. a must. Eves. 4-8 & Sat am 8-12. Send resume to kathleen.brestz@yahoo.com

STV DRIVERS & AIDES Wanted
EdAdvance hiring
25 Drivers/15 Aides
Drivers must have
"V" or "P&S endorsement
Call 860-567-0863x131

VETERINARY RECEPTIONIST F/T Benefits avail. Apply in person only Barnum Animal Hospital 755 Barnum Ave. Cutoff, Stratford.

SITUATIONS WANTED

GENTLEMAN AVAILABLE to be your live-in driver, handyman, houseman, in exchange for nice room only no pay. References. Call 1-203-467-1272

MERCHANDISE FOR SALE

6' Swimming Pool Slide, $200, Pool Ladder $25, Yamaha Organ, 40+ years old, still works, $200. 203-798-1992 after 5 pm

Beautiful old pine cottage dinning table 3'w x 4.5'L opens to 6.5'w. $95. 860-354-7437

MERCHANDISE FOR SALE

BOOKS
GREAT FOR GIFTS
Friends of Danbury Library
Danbury Library - Book Nook
Come Take a Look In The Nook
Pre-owned Hard Cover Books
$3.00 each
203-794-7477

BUNK BED- $485 solid wood, never used, 42"x85"x81" 203-729-1706

CABLE MODEM, MTRLA, SB6101, PW ADPT, USB $25 (203-426-1483)

CARLY SIMON AUTOG. CASSETTE &BOOKLET $15 (203-426-1483)

CRUTCHES- 5ft 10in-6ft 6in. New $25. 203-948-1168

DRUM SET - w/hardware & cymbals. Exc cond $260 203-866-4879

ENTERTAINMENT CENTER PINE, $250. (203-438-1483)

GOLF BALLS: All brands exc.cond. 100 for $15 call Joe: 203 313 5704

MOVING SALE, clean house content. Fri/Sat 6/2-6/3 9-3, Sun 6/4, 12-3. Incld. LR/DR/BR/office & patio furn, Kitch full, Glass/China, tools incl John Deere riding mower....So much stuff! Stop by, 240 Ice Pond Rd off Rt 312 in Brewster. 914-960-2218

MOVING MUST SELL
'86 Baldwin upright piano $2,000
Thomasville cherry dining room set, 6 chairs, leaf & lighted hutch $2,000, patio furn, glass tbl top, 6 chrs $400
Weber Genesis grill $300
2 wrought iron bar stools $300
Excellent cond. Negotiable. Contact 203-564-0383, text or message

PANTS- Ladies Med, petite, 6 pair for $70. Like new. 203-748-8603

PTIO TBL72x40 tmpd glss tp w/ 2 sing chrs. $50. 203-746-1246.

Scuba Equip. Atomic 81 reg. w/ SPOLDIN Stg., $175. 203-748-3774

SEARS 36F HD 260lb ext. ldr. $200 Call 203-776-9043.

SKIS- Headsport, Radius, 4.0, w/ Pyrolis 1900, $125 203-948-1168

SPEAKERS FOR SALE, Boston Acoustics CRX Surround Speakers, white, Boston Acoustics VR10 Center Speakers, Boston Acoustics VR12 Center Speaker, $230 each, 203-797-8508.

STIHL 8560-R Trimmer- $200, 1yr, terrific condition, 203-948-1168

WCOSC000013
06/29/2017

THE NEWS-TIMES
CLASSIFIED
MARKETPLACE

SOUTHERN CTJOBS

203-333-4151
classifieds@hearstmediact.com
Hours: 8:30 a.m.–4:30 p.m., M-F
Major Credit Cards Accepted

PUBLIC NOTICES

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Legal Notice
Invitation to Bid

The Town of New Fairfield invites all interested parties to submit bids for the Bid Name: "Plumbing Repair Services" Bid number "2017-16PWD7." Terms and conditions as well as the description of services are stated in the specifications. Specification may be obtained at the following address. Town of New Fairfield, Finance Office, 3 Brush Hill Road, New Fairfield, CT 06812, 203-312-1663 or at www.newfairfield.org. Bids must be received no later than Wednesday, June 14, 2017 at 10:30 A.M. EST, to the address stated above. The Town of New Fairfield is an equal opportunity and affirmative action purchaser, and bids from all vendors, including those from enterprises owned by minorities and women, are encouraged.
Dated May 31, 2017

Legal Notice
Notification of Aquatic Treatment

In accordance with the Connecticut DEEP, Pesticide Division, notification requirements, the following: Lakeville, Litchfield, Monroe, New Hartford, Salisbury, Sharon, Torrington, Watertown and Wilton ponds will be chemically treated (weather dependent) on one or more of the following dates (6/5, 6/12, 6/19, 6/2, 7/3, 7/10, 7/17, 7/24, 7/31) for control of nuisance aquatic vegetation and algae Lakeville: Lorenze Pond off Wells Hill Road - Litchfield: Hidden Pond at Hidden Pond Drive - Monroe: Fawn Hollow Lake (Lakewood Estates Association) off Fird Ridge Road - New Hartford: Laurel Lake off Lakeshore Drive - Salisbury: Grave Ponds off Ethan Allen Street, Noble Horizons off Gobble Road and Twin Lakes off Twin Lakes Road - Sharon: Hilltop Pond off Webber Road and Kelger Pond off Stonehouse Road - Torrington: Lakeridge Pond off Trailsend Drive - Watertown: Sylvan Lake off Sylvan Lake Road, Winnemaug Lake off Carson Drive and Echo Lake off Ice House Road - Wilton: Merwin Meadows at Merwin Meadows Park.

The ponds listed above will be treated with the USEPA/CT DEEP registered product(s), Clipper© and/or Sonar© and/or Reward© and/or SeClear® and/or Aquathol K© and/or Captain© and/or Nautique© and/or copper sulfate. Treated ponds will be posted with signs in accordance with DEEP requirements. Do not use the water following treatment for the following purpose(s) until the date noted below: Clipper (swimming 1 day, irrigation 5 days, drinking, cooking, watering livestock, 3 days) Sonar (swimming 1 day; irrigation 30 days); Reward (swimming 1 day; drinking, cooking and livestock watering 5 days; irrigation 5 days); Aquathol-K (swimming 1-day; fishing 3-days; drinking, cooking, irrigation, and livestock watering 14-days) Captain, Nautique, SeClear and copper sulfate (no restrictions). Information on the specific date of application may be obtained from the person named below. The chemical application is being conducted by the State licensed firm, SOLitude Lake Management located at 590 Lake Street Shrewsbury, MA 01545 - Tel. (508) 865-1000, contact Keith Gazaille

NOTICE TO SEWER USERS
OF BROOKFIELD, CT
SEWER USE & ASSESSMENT BILL NOTICE

The semi-annual sewer use bill is due & payable on June 1, 2017 and becomes delinquent after July 3, 2017. Delinquent interest will be charged at the rate of 1.5% per month starting from the due date of June 1, 2017, with a minimum interest by state law of $2.00.

The 2017 sewer assessment bill is due & payable on June 1, 2017 and becomes delinquent after July 3, 2017. Delinquent interest will be charged at the rate of 1.5% per month starting from the due date of June 1, 2017, with a minimum interest by state law of $5.00.

There is a $25.00 service charge for all returned checks. Failure to receive a bill does not relieve a property owner of the obligation to pay all charges and penalties.

Visit www.brookfieldwpca.com to pay online by credit card or e-check. A convenience fee will be charged for payments made online. Payments will be accepted at the WPCA Office, Brookfield Town Hall, 100 Pocono Road from 8:00 A.M. to 4:00 P.M., Monday - Friday or by mail addressed to WPCA, P.O. Box 5106, Brookfield, CT 06804. If you pay by mail and need a receipt, send the appropriate stub with your check and a self-addressed stamped envelope.

Mary Rajcula Ongaro, Collector
Brookfield WPCA
(203) 775-7318

PUBLIC NOTICE
Request for Proposals & Qualifications

The Town of Brookfield, CT has issued Requests for Proposals & Qualifications for the Environmental Assessment of 20 Station Road, Brookfield, CT.

The request for Proposals will be issued on May 31, 2017. Proposals are due by 11:00am on June 26, 2017 in the Land Use Department, Attention: Betsy Paynter, Economic & Community Development Manager, Brookfield Town Hall, 100 Pocono Road, Brookfield, CT 06804.

The RFP/RFQ and supporting documents can be found on the Town's website: http://www.brookfieldct.gov/Pages/BrookfieldCT_WebDocs/20StationBrownfield/

For further information, contact:

Brookfield Town Hall
Betsy Paynter,
Economic & Community Development Manager
Land Use Department
100 Pocono Road
Brookfield, CT 06804
203.775.3335, bpaynter@brookfieldct.gov

PUBLIC NOTICES

STATE OF CONNECTICUT,
SUPERIOR COURT
ORDER OF NOTICE
FAMILY CASES

Judicial District of Danbury at Danbury 146 White Street, Danbury, Ct.

Eliane C. Almeida
v.
Kleber M. Ferreira

NOTICE TO KLEBER M. FERREIRA, the Court finds that the current address of the party to be notified is unknown and that all reasonable efforts to find her have failed. The Court also finds that the last known address of the party to be notified was: UNKNOWN, Danbury, Ct 06810. The Court orders that notice be given to the party to be notified by legal notice in: The News-Times, a newspaper circulating in Danbury, Ct containing a true and attested copy of the Order of Notice and accompanying a Complaint in Divorce (dissolution of marriage), complaint for dissolution of civil union, legal separation or annulment, or if accompanying and Application for Custody or Visitation, a statement that Automatic Court Orders have been issued in this case as required by Section 25-5 of the Connecticut Practice Book and are a part of the Complaint/Application on File with the Court. This notice should appear before June 1, 2017 and proof of service shall be filed with the Court.

Robert A. Jackson, Assistant Clerk Signed January 27, 2017

The within is a true and attested Copy of the Original Order of Notice given to me for service by publication, Automatic court Orders have been issued in this case as required by Section 25-5 of the Connecticut Practice Book and are part of the Complaint on file with the Court
Attest: May 30, 2017
John M. McNicholas
Connecticut State Marshal,
Fairfield County

STATE OF CONNECTICUT
SUPERIOR COURT
ORDER OF NOTICE
Judicial District of Danbury at Danbury

Ingrid M. Henriquez Espinal vs. Arthur Bernard Tisola
NOTICE TO: Arthur Bernard Tisola
The Court has reviewed the Order Of Notice in Family Cases and the Motion For Order Of Notice In Family Cases which asks for. DIVORCE (Dissolution of Marriage) The Court finds that the current address of the party to be notified is unknown and that all reasonable efforts to find him/her have failed. The Court also finds that the last known address of the party to be notified was: 506 Sienna Drive, Danbury, CT 06810.

THE COURT ORDERS that notice be given To the party to be notified by placing a legal notice in The News-Times, a newspaper circulating in Danbury, Connecticut., containing a true and attested copy of the Order of Notice, and, if accompanying a complaint for divorce (dissolution of marriage), complaint for dissolution of civil union, legal separation or annulment, or if accompanying an Application for custody or visitation, a statement that automatic Court Orders have been issued in the case as required by Section 25-5 of the Connecticut Practice Book and are a part of the complaint / Application on the file with the Court. The notice should appear before 6/1/2017 and proof of service shall be filed with this Court.

Robert A. Jackson, Assistant Clerk signed 5/15/2017.
A TRUE COPY-ATTEST
Richard T. DeLucia
State Marshal, Fairfield County

GENERAL HELP WANTED

Brookfield Contractor seeking Full Time Laborer, Carpenter, Painter - Must Drive
Call office 203-740-9026 or Cell 203-263-0169

DENTAL ASSISTANT - Busy Fairfield practice seeks an experienced dental assistant. True 4 handed dentistry, Radiology certification a plus. Reply to dmdreply@att.net

DOG GROOMER WANTED
Experience Required.
E-mail: oronoquekennel@aol.com or fax 203-732-5464

DRIVER - FT/PT for Danbury LIMO Co. Must have knowledge of NYC & airports. 203-743-1537

DRIVER - ROUTE Delivery needed, must have Class B CDL & current med. card, prev. delivery exp. helpful but will train, please e-mail resume & DMV driving history to: hidistributors38@gmail.com

DRIVER
RELIABLE & EXPERIENCED. No CDL Required. Must have clean driving record. Heavy lifting & drug testing required. Contact Amanda 203-748-3636 or send resume to amanda[illegible]

DUMP RUN ASSISTANT WANTED w/ pickup truck. Call 860-222-4069

GENERAL HELP WANTED

EARN EXTRA CASH
Independent contractors wanted for early morning newspaper delivery routes.
7 days a week.
Applicants must be reliable and have reliable transportation.
Stop out to fill out an application.
333 Main Street, Danbury, CT
or call 203-731-3414

ELECTRICIANS - LICENSED for immediate hire at well established company for work in CT & NY. Salary commensurate with experience. We offer health insurance, 401K, 40-hour work week, overtime, nite jobs at times. Call to hear what we have to offer! 203-790-6425 or Fax 203-798-8870

HELP WANTED, landscaping & lawn service. Please apply at [illegible]construction.com/employment

Join the Danbury Chili's Team! Line cooks & prep cooks (FT/PT) wanted! Apply at 57 Newtown Rd. Danbury, CT 203-778-6763 or at [illegible].com

LANDSCAPERS- Crew members wanted, immediate start. Pay based on experience level. All phases of trade, top dollar pay. 203-948-4384.

LANDSCAPER WANTED
New Fairfield/Danbury Area.
Call 203-746-0028

GENERAL HELP WANTED

Facility Cook–Midwestern Connecticut Council of Alcoholism, Inc. (MCCA)
We are currently looking to hire a full-time Facility Cook for our food program. This involves ensuring the safety of staff, the economical purchasing of food, the creation of nutritious menus, and the supervision and training of clients in the preparation of the meals and safety. Candidate must be able to work Friday, Saturday and Sunday day. Qualifications–The Facility Cook shall have a high school diploma. He/she will also have specialized training in cooking or at least two years of experience as a full-time cook. Safe Serve Certification is a must. Please email resume to mccajobs@mccaonline.com or fax to (203) 748-7604

OPHTHALMIC TECH Busy Ophthalmology practice seeks FT Oph Tech, experience preferred. Attractive comp package with 4-day work wk + flex hrs. Fax resumes to 203-798-7048, Attn. Suzanne.

RECEPTIONIST PT- for busy OBGYN office. Exp. a must. Eves. 4-8 & Sat am 8-12. Send resume to kathleen.brantz@yahoo.com

SITUATIONS WANTED

GENTLEMAN AVAILABLE to be your live-in driver, handyman, houseman, in exchange for nice room only no pay. References. Call 1-203-467-1272

MERCHANDISE FOR SALE

8' Swimming Pool Slide, $200, Pool Ladder, $35, Yamaha Organ, 40+ years old, still works, $300, 203-748-1992 after 5 pm

Beautiful old pine cottage dinning table 3'w x 4.5'L opens to 6.5'w. $95. 860-866-7437

BOOKS
GREAT FOR GIFTS
Friends of Danbury Library
Danbury Library - Book Nook
Come Take a Look in The Nook
Pre-owned Hard Cover Books
$3.00 each
203-[illegible]

BUNK BED- $495 solid wood, never used, 42"x65"x81" 203-770-1708

CABLE MODEM, MTRLA. SB6101, PW ADPT. USB. $25 (203-426-1483)

CARLY SIMON AUTOG. CASSETE &BOOKLET. $15 (203-426-1483)

CRUTCHES- 5ft 10in-6ft 6in. New. $25. 203-948-1156

DRUM SET - w/hardware & cymbals. Exc cond. $350. 203-606-1879

ENTERTAINMENT CENTER, PINE, $250. (203-426-1483)

LIONEL VINTAGE BURLINGTON ENGINE #2328 SILVER/RED IN BOX $250.00 203-313-2973

LIONEL TRAIN - VINTAGE MANUALS, TRACKS, ETC. 203-313-2973

LIONEL VINTAGE TRAIN 3665 USAF BOX CAR MINUTEMAN Unique car 1961-64 Roof opens & launching mech. elevates to firing position. Operates with O27 & O gauge Lionel (others) Very clean, no yellowing, free of cracks, chips or breaks $250.00 or obo 203-313-2973

LIONEL VINTAGE TRAIN 3665 USAF BOX CAR MINUTEMAN Unique car 1961-64 Roof opens & launching mech. elevates to firing position. Operates with O27 & O gauge Lionel (others) Very clean, no yellowing, free of cracks, chips or breaks $250.00 or obo 203-313-2973

LIONEL VINTAGE CABOOSE #6257 MARKED BUILT 5-47 $60.00 203-3132973

LIONEL VINTAGE NYC #6452 2-49 Excellent condition. Great looking car. $60.00 203-313-2973

LIONEL VINTAGE NYC #6452 2-49 Excellent condition. Great looking car. $60.00 203-313-2973

LIONEL LEHIGH VALLEY #64301 black 3-48 $70.00 203-313-2973

LIONEL 100TH ANNIVERSARY TRAIN CLOCK IN BOX - NEW - NEVER USED $60.00 203-313-2973

MOVING SALE, clean house content. Fri/Sat 6/2-6/3 9-3. Sun 6/4, 12-3. Incl. LR/DR/DR/office & patio furn. Kitch full. Glass/China, tools incl John Deere riding mower....So much stuff! Stop by. 240 Ice Pond Rd off Rt 312 in Brewster. 914-860-2219

MOVING MUST SELL
'95 Baldwin upright piano $2,000
Thomasville cherry dining room set, 6 chairs, leaf & lighted hutch $2,000, patio furn. glass tbl top, 6 chrs $400
Weber Genesis grill $300
2 wrought iron bar stools $300
Excellent cond. Negotiable. Contact 203-558-0383, text or message

Scuba Equip. Atomic B1 reg. w/ SPG&DIN fttg., $175. 203-748-2774

SEARS 36F HD 250lb ext. ldr. $300 Call 203-775-8063.

SKIS- Headsport, Radius, 4.0, w/ Pyrolo 190D, $175 203-948-1156

SPEAKERS FOR SALE. Boston Acoustics CRX Surround Speakers, white, Boston Acoustics VR10 Center Speakers, Boston Acoustics VR12 Center Speaker, $230 each, 203-797-4508.

STIHL 3580-R Trimmer- $200. 1yo, terrific condition, 203-948-1156

STIHL BR 600 Blower- $400 203-948-1156

TIRES & RIMS/ VEHICLE PARTS Call for Details 203-523-5607

Vintage L.C. Smith and Corona Typewriter. $175 203-743-3484

VINYL 45RPM REC. LARGE COLLECTION. $6 EACH. (203-426-1483)

VINYL 45 RPM RECORDS. LARGE COLLEC. $6 EACH. (203-426-1483)

VINYL 78 RPM RECORDS. VINTAGE COLLECTION. $10. (203-426-1483)

WELDED WIRE FENCING, 72", 2x4 mesh. 150 feet rolls (7). $75 each.

ESTATE/TAG SALE SERVICES

Tag Sale: Automtv/grg & misc tools, HH items, furn. & much more. Sat June 3, 8-4, 21 Possum Dr., New Fairfield.

TAG / ESTATE / CRAFT FLEA MARKET SALES

BETHEL HUGE NEIGHBORHOOD TAG SALE- Plumtree Heights. Sat 6/3, 8AM-2PM. Baby/kid/adult books, toys, clothes, antiques, furniture, misc. Park on Ballfield Road.

BETHEL HUGE Tag Sale. Sat 6/3, 9-3; Bethel Congregational Church, 46 Main Street. Too much to list!

BROOKFIELD DAYCARE CLOSING SALE 6/3, 9AM-4PM. 8 Parkwood Drive, cribs, changing table, toddler bed, double stroller, high chairs, play pens, crafts & toys!

BROOKFIELD Two Family Tag Sale 26 & 28 Surrey Drive, 6/2; 6/3 9AM-4PM, Rain or Shine. Everything must go! 203-300-1958

DANBURY LARGE FAMILY TAG SALE - Sat 6/3, 9-3, Rain Date Sun. 6/10, 9-3. 111 Westville Ave.

TAG / ESTATE / CRAFT FLEA MARKET SALES

GIANT TAG SALE
The United Church of Rowayton this Saturday, June 3rd
9 AM - 3 PM
Early Birds!
8:30 AM Entry for $10.
Rain or shine
Bargains on thousands of items, housewares, appliances, china, furniture, jewelry, sports & garden equipment, designer clothing & other treasures in addition to bake sale.
210 Rowayton Ave. (Rte. 136)

MULTI-FAMILY TAG sale to benefit Relay for Life. Sat 6/3, 9-3. 150 Rockwell Rd., Bethel CT. Toys, housewares, tools, sports, & more.

NEW MILFORD- Moving Sale 6/3 8AM-3PM. 6/4, 9AM-1PM. 2 Pleasantview Rd, lots of furn., bedroom sets, piano, books, HH items, & much more!

Ridgefield Moving Sale Fri 9-3 Sat. [illegible] furn. w/d, h/h, s/plate, games, camp eq, skis, Lawn mwr, snow blw, tools, bike more. RA Main st to West La(at fountain) to FLAT ROCK Dr.

[illegible]

TAG SALE, 8 Stonegate Dr., Sandy Hook, CT, finger sewing machine and much more, 9-3, 6/2 & 6/3,

ROOMS FOR RENT

CENTRAL DANBURY. Immediate occupancy. No pets, w/d, parking. $135/wk. $300 deposit. All utilities included. 203-496-9904

DANBURY- Furnished Rm w/ BA, perfect for professional/college student. $600 inclde utils. close to busline & 84. 203-745-5340

APARTMENTS FOR RENT

★★★
BRIDGEPORT
near Merritt Prkwy
1 BR & studios.
Nice neighborhood.
Gated parking & heat included in rent
203-212-1910
Mon-Fri, 1-5 pm.
www.lynnapartmentsct.com

BRIDGEPORT
Located near Hospitals.
1BR $700-$875/m
Tenant pays utils.
Credit check. No pets
VAZ REALTY
(203)520-8875

BROOKFIELD 4BR HOUSE, 2BA, kitchen, LR/DR, $2,200/month + elect. Call 203.948.0286

DANBURY 1 BR
$1,100 includes heat. HWD floors. All appliances. Near hospital/ Westconn. No pets/smoking. Refs/ Security Deposit.
203-240-7287/203-748-1166

DANBURY 1BR, top flr, cozy, ideal for 1 person. no pets. $1150 + 1 mo sec. & 1 yr lease. Call 203-417-2567

DANBURY 2BR, 2nd fl. Near I84 No pets/smk. 2c prk. $1100+sec & utils. credit check. 203-297-2851

DANBURY - Shelter Rock Area 2BR, 1.5BA, 1c. gar. C/AC 2nd flr, Ranch unit, no pets. 1yr lease 1m. sec. $1450 (203)744-8800 Wkdays 9-5

DANBURY 2Br, 1st Fl., good location, $1300 + sec., no pets/smkg, crdt chck. 203-942-6124

DANBURY- 1, 2, 3 & 4 BDS APTS $1150-$1850. Off st prking, hwd flrs, newly renovated. 914-830-5963

Service Directory

ATTIC, BASEMENT, YARDS AND DUMP RUNS

ANYTHING HAULED Big or Small. [illegible]

EXCAVATING / BULLDOZING

WEBBER EXCAVATING Since 1979, All your Excavation needs at the most reasonable price, lic/ins webberexcavating.com 203-240-8785

LAWN & GARDEN SERVICES

Lawn Service, Patios, Stonewalls & Pavers! Call 203-[illegible]

HEALTH CARE SERVICES IN HOME

TREE SERVICES

Any and all trees, cheap cheap cheap. Free estimates, expert tree climber, 25 yrs experience. 203-546-4292 or 203-550-3110.

ARBORVITAE SPRING SALE! Green Giants or Emeralds, for beautiful privacy borders. FREE delivery & planting. Starting at $59. Call 860-712-4363 or ctfrees.com

HEALTH CARE SERVICES IN HOME

THE PAIN LIFTER & ENERGY SHIFTER
Pamela D. Garisson, CHHC, LMT :: Greater Danbury Area
Certified Holistic Health Coach/Licensed Massage Therapist
www.PsStopIt4Wellness.com #203-441-5084
"I Feel Like A New Woman," M. Boyle

[illegible]

CLASSIFIED INDEX

"WHO TO CALL"

To Place A Classified Ad:
Call 203-333-4151
8:30 a.m. - 4:30 p.m. - Monday – Friday*
classifieds@hearstmediact.com

To Place An Obituary:
203-330-6306
9 a.m. - 5 p.m. - Monday – Sunday*
obituaries@hearstmediact.com
Deadline is 4:30 p.m. day prior to publication.

To Place A Legal Notice:
Call 203-333-4151
8:30 a.m. - 4:30 p.m. - Monday – Friday*
classifieds@hearstmediact.com
recruitment@hearstmediact.com

To Place A Recruitment Ad:
Call 203-333-4151
8:30 a.m. - 4:30 p.m. - Monday – Friday*
recruitment@hearstmediact.com

**Hours are subject to change for Holidays.*

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Advertisers are URGED to CHECK their advertisement on the FIRST DAY of publication. Hearst Media Services and its subsidiaries shall NOT be responsible for the omission, whole or part, of any advertisement for any typographical errors or other errors. In the event of any omission or error, Hearst Media Services and its subsidiaries liability shall be limited to the amount paid by the advertiser for the first insertion only. In no event shall Hearst Media Services or its subsidiaries be liable for consequential damages of any kind, including damages for lost profits.

CONFIDENTIAL BOX SERVICES

Confidential Box Services are available, please ask a representative for details and rates.

WCOSC000014
06/29/2017

THE NEWS-TIMES

CLASSIFIED MARKETPLACE

SOUTHERN CT JOBS

203-333-4151 | classifieds@hearstmediact.com | Hours: 8:30 a.m.–4:30 p.m., M-F | Major Credit Cards Accepted

PUBLIC NOTICES

LEGAL NOTICE
NEW POLICE FACILITY for the BETHEL POLICE DEPARTMENT
12 Judd Avenue, Bethel, Connecticut
REQUEST FOR BIDS – INVITATION TO BID #02

1. Downes Construction Company, LLC acting as Construction Manager on behalf of the Town of Bethel will receive sealed bids, in duplicate for the individual bid packages identified in the Contract Documents and as indicated below for the New Police Facility for the Bethel Police Department. Bids shall be addressed to Downes Construction Company, LLC - Construction Manager and will be received at their main office on 200 Stanley Street, New Britain, CT 06050 until dates and times listed below. Bids will be publicly opened and read aloud immediately following their receipt.

Bid Package	Description	Bid Due Date and Time
Bid Package #4.1	Masonry & Precast Planks	Tuesday 6/27/17 at 2:00 pm
Bid Package #6.1	Manufactured Casework & Trim (Furnish Only)	Tuesday 6/27/17 at 2:00 pm
Bid Package #7.1	Roofing Systems	Tuesday 6/27/17 at 2:00 pm
Bid Package #8.1	Doors, Frames & Hardware (Furnish Only)	Tuesday 6/27/17 at 2:00 pm
Bid Package #8.2	Overhead Doors	Tuesday 6/27/17 at 2:00 pm
Bid Package #8.3	Aluminum Storefront & Interior Glazing	Tuesday 6/27/17 at 2:00 pm
Bid Package #9.1	Carpentry & Drywall	Tuesday 6/27/17 at 2:00 pm
Bid Package #9.2	Acoustical Ceilings	Tuesday 6/27/17 at 2:00 pm
Bid Package #9.3	Ceramic Tile	Tuesday 6/27/17 at 2:00 pm
Bid Package #9.4	Resilient & Carpet Flooring	Tuesday 6/27/17 at 2:00 pm
Bid Package #9.5	Industrial Flooring System	Tuesday 6/27/17 at 2:00 pm
Bid Package #9.6	Wall Coverings & Painting	Tuesday 6/27/17 at 2:00 pm
Bid Package #10.1	Signage	Tuesday 6/27/17 at 2:00 pm
Bid Package #10.2	Lockers	Tuesday 6/27/17 at 3:00 pm
Bid Package #11.1	Detention Equipment & Wire Mesh Partitions	Tuesday 6/27/17 at 3:00 pm
Bid Package #14.1	Elevator	Tuesday 6/20/17 at 3:00 pm
Bid Package #21.1	Fire Suppression System	Tuesday 6/27/17 at 3:00 pm
Bid Package #22.1	Plumbing System	Tuesday 6/27/17 at 3:00 pm
Bid Package #23.1	HVAC System	Tuesday 6/27/17 at 3:00 pm
Bid Package #26.1	Electrical & Fire Alarm System	Tuesday 6/27/17 at 3:00 pm

2. Contact Downes directly regarding your firms interest in providing furnish only pricing for visual display boards, display case, toilet compartments (furnish and install), cubicle curtains, wall protection, fire extinguishers, toilet and bath accessories, residential appliances, forensic lab equipment and window treatments (furnish and install).
3. Plans and Specifications prepared by Jacunski Humes Architects and their consultants along with Downes Project Manual containing instructions to bidders will be available at the cost of reproduction on or about June 5, 2017 from Advanced Reprographics 50 Corporate Ave, Plainville, and CT 06062 - (860) 410-1020. Project is posted at www.advancedrepro.net under Plan Room/Public jobs. Only complete sets of plans and specifications are available. Plans will also be available free of charge electronically through Email via CITRIX Sharefile link by contacting Downes.
4. Addenda will be issued to all Bidders having secured Drawings and Specifications via Sharefile link directly from Downes.
5. As security, each Bid must be accompanied by a Certified Check or Cashier's Check drawn upon a State bank and Trust Company or a National Banking Association, payable to the order of the Downes Construction Company, LLC, or the Bid must be accompanied by a Bid Bond issued by a surety company or companies authorized to do business in the State of Connecticut of an amount not less than 10% of the Bid.
6. The successful bidders will be required to provide 100% Performance and Labor and Material Payment Bonds and are requested to indicate the added amount in the appropriate space on the bid form.
7. Bids must be accompanied by a Contractor's Qualification Statement AIA Document A305, 1986 Edition or similar proving their experience in completing projects of this nature, size and scope.
8. Questions regarding the work and bid process or if you wish to obtain the Plans, Specifications and the Downes Project manual shall be made in writing and directed via Email to Jeffrey S. Anderson, Asst. Director of Operations janderson@downesco.com. The last date and time for questions is five (5) business days prior to the bid due date at 12:00pm.
9. A PRE-BID CONFERENCE will be held at the Clifford J. Hurgin Municipal Center, 1 School Street, Bethel, CT 06801 on MONDAY, June 12, 2017 AT 10:00AM. Attendance is NOT mandatory but bidders are strongly encouraged to attend in order gain further knowledge of the bid process.
10. The State of Connecticut Department of Labor and all associated statutes and regulations shall govern labor wages on the project therefore Certified Payrolls will be required.
11. The successful bidder shall comply with applicable state and local laws and Town of Bethel requirements in all respects.
12. All bids shall be held open by bidders for a period of ninety (90) days. No bidder may withdraw their bid during that period.
13. The project will be awarded to the lowest responsible bidder after review of all factors, terms and conditions including price. However, Downes Construction Company, LLC and the Town of Bethel reserve the right to reject any and all bids or to waive any informalities, irregularities, omissions, or technical defects in the bids if deemed in their best interests.
14. Bidders are reminded that this project is exempt from Federal Excise Taxes as well as State of Connecticut Sales Tax to the extent allowed by law.
15. Any work on the project covered under the jurisdiction of the Local Carpenter's Union must be performed by a Union Carpenter work force.
16. Downes Construction Company, LLC and the Town of Bethel are affirmative action/equal opportunity employers.

LEGAL NOTICE

At the regular meeting of the Zoning Board of Appeals of the City of Danbury held on May 25, 2017, the following decision was made:

#17-18: GRANTED PER PLAN SUBMITTED to Manuel C. Guzman, 31 Stevens Street (I14275) Sec. 4.B.3. to reduce side yard from 15' to 13.8' ± for conversion from one-family to two-family dwelling. (RH-3 Zone)

Richard Ruggle, Acting Chairman

LEGAL NOTICE

Western Connecticut Orthopedic Surgical Center, LLC and SCA-Western Connecticut, LLC are filing a Certificate of Need Application pursuant to Section 19a-638(a)(2) of the Connecticut General Statutes. SCA-Western Connecticut, LLC, which owns 49% of Western Connecticut Orthopedic Surgical Center, LLC, will request CON approval to acquire a 60% controlling interest in the company, which owns and operates Western Connecticut Orthopedic Surgical Center, located at 226 White Street, Danbury, Connecticut 06810. The total capital expenditure associated with acquisition of the 11% of membership interests being purchased as part of this transaction is $4,926,743.

LEGAL NOTICE
FORECLOSURE AUCTION SALE

Docket No. LLI-CV16-6013946-S
Case Name: FEDERAL MORTGAGE ASSOCIATION V. DAVID MAZZARELLA, ET AL
Property Address: 3 Clara Lane, New Milford, CT
Property Type: Residential
Date of Sale: Saturday, June 10, 2017
Committee Name: Jeffrey B. Sienkiewicz, Esq.
Committee Phone Number: (860) 350-5454

See Foreclosure Sales at www.jud.ct.gov for more detailed information

LIQUOR PERMITS

Liquor Permit

Notice of Application

This is to give notice that I, JOSE A DURAN-CAMACHO 76 LIBERTY ST FL 1 DANBURY, CT 06810-8738

Have filed an application placarded 06/14/2017 with the Department of Consumer Protection for a Restaurant Liquor Permit for the sales of alcoholic liquor on the premises at 21 NORTH ST DANBURY CT 06810-5654

The business will be owned by: MILENIO'S LLC
Entertainment will consist of: Disc Jockeys, Karaoke, Live Bands

Objections must be filed by: 06/29/2017

JOSE A DURAN-CAMACHO

GENERAL HELP WANTED

Brookfield Contractor seeking Full Time Laborer, Carpenter, Painter – Must Drive
Call office 203-740-9090 or Cell 203-263-0186

GENERAL HELP WANTED

CONSTRUCTION LABORER
Experienced in Masonry, 203-743-4868

DELIVERY DRIVER/WAREHOUSE Employee- FT for Wholesale distributor. Apply in person D&S Pump & Supply Co., 3784 Danbury Rd, Brewster, NY. No calls please.

DRIVER - FT/PT for Danbury UMO Co. Must have knowledge of NYC & airports. 203-743-1837

DUMP RUN ASSISTANT WANTED w/ pickup truck. Call 860-223-4969

EARN EXTRA CASH
Independent contractors wanted for early morning newspaper delivery routes. 7 days a week. Applicants must have reliable transportation. Stop out to fill out an application, 333 Main Street, Danbury, CT or call 203-731-3473

ELECTRICIANS - LICENSED for immediate hire at well established company for work in CT & NY. Salary commensurate with experience. We offer health insurance, 401K, 40-hour work week, overtime, rate jobs at times. Call to hear what we have to offer! 203-790-6425 or Fax 203-794-8670

Facility Cook-Midwestern Connecticut Council of Alcoholism, Inc. (MCCA)
We are currently looking to hire a full-time Facility Cook for our food program. This involves ensuring the safety of staff, the economical purchasing of food, the creation of nutritious menus, and the supervision and training of clients in the preparation of the meals and safety. Candidate must be able to work Friday, Saturday and Sunday day. Qualifications-The Facility Cook shall have a high school diploma. He/she will also have specialized training in cooking or at least two years of experience as a full-time cook. Safe Serve Certification is a must. Please email resume to mccajobs@mccaonline.com or fax to (203) 748-2604

GENERAL HELP WANTED

Golf Course **MAINTENANCE**- seasonal help, pays $11-$12/ hr. Candlewood Lake Club 203-648-1014

HELP WANTED, landscaping & lawn service. Please apply at lifespaceconstructionct.com/employment

LANDSCAPERS- Crew members wanted, immediate start. Pay based on experience level. All phases of landscape dollar pay. 203-948-4384.

LANDSCAPER WANTED
New Fairfield/Danbury Area. Call 203-746-0026

LOOKING FOR telemarketers, salary + commission, will train Call John 203-746-3030

OPHTHALMIC TECH
Busy Ophthalmology practice seeks Oph Tech, experience preferred. PT / 30 hrs wk. Flex hrs. Fax resumes to 203-798-7048, Attn. Suzanne.

RECEPTIONIST PT- for busy OBGYN office. Exp. a must. Eves. 4-8 & Sat am 8-12. Send resume to kathleen.brazitr@yahoo.com

STV DRIVERS & AIDES Wanted
EdAdvance hiring
25 Drivers/15 Aides
Drivers must have "V" or P&S endorsement
Call 860-567-0863x131

VETERINARY RECEPTIONIST F/T Benefits avail. Apply in person only, Barnum Animal Hospital 714 Barnum Ave. Cutoff, Stratford

SITUATIONS WANTED

GENTLEMAN AVAILABLE
to be your live-in driver, handyman, houseman, in exchange for nice room only no pay. References. Call 1-203-667-1111

MERCHANDISE FOR SALE

8' Swimming Pool Slide, $200, Pool Ladder, $25, Yamaha Organ, 45+ years old, still works, $250, 203-758-1992 after 6 pm

Beautiful old pine cottage dinning table 3'w x 4.5'L opens to 6.5'w. $95. 860-686-7437

BOOKS
GREAT FOR GIFTS
Friends of Danbury Library
Danbury Library - Book Nook
Come Take a Look In The Nook
Hardcover Books
$3.00 each
203-794-1571

BUNK BED- $485 solid wood, never used, 42"x85"x81" 203-729-1706

CABLE MODEM, MTRLA, SB5101, PW ADPT, USB. $25 (203-426-1483)

CARLY SIMON AUTOG. CASSETS &BOOKLET. $15 (203-426-1483)

CRUTCHES- 4ft 10in-6ft 6in. New. $35. 203-948-1158

DRUM SET - w/hardware & cymbals. Exc cond. $250. 203-888-4878

MERCHANDISE FOR SALE

ENTERTAINMENT CENTER, PINE, $250. (203-426-1483)

GOLF BALLS: all brands exc.cond. 100 for $15 call Joe 203 313 6704

LOCKE TRIPLEX MOWER $300 call 203-792-6452

MOVING SALE, clean house content. Fri/Sat 6/2-6/3 9-3. Sun 6/4, 12-3. Incld. LR/DR/BR/office & patio furn. Kitch full. Glass/China, tools incl John Deere riding mower....So much stuff! Stop by, 240 Ice Pond Rd off Rt 312 in Brewster. 914-960-7219

MOVING MUST SELL
'86 Baldwin upright piano $2,000
Thomasville cherry dining room set, 8 chairs, leaf & lighted hutch $2,000, patio furn. glass tbl top, 6 chairs $400
Weber Genesis grill $300
2 wrought iron bar stools $300
Excellent cond. Negotiable. Contact 203-558-0383, text or message

PANTS- Ladies Med, petite, 5 pair for $20. Like new. 203-744-6803

PERENNIALS for sale. Many to choose from. Most deer resist. $3 & up. For tel call 203-748-2774.

PTIO TBL72x40 tmpd glss tp w/ 2 sing chrs. $60. 203-746-1248,

Scuba Equip. Atomic B1 reg. w/ SPG&DRI hng., $175. 203-744-2774

SEARS 38F HD 250lb est. Idr. $200 Call 203-778-9063.

SKIS- Headsport, Radius, 4.0. w/ Pyrolis 1900, $125 203-948-1158

SPEAKERS FOR SALE, Boston Acoustics CRX Surround Speakers, white, Boston Acoustics VR10 Center Speakers, Boston Acoustics VR12 Center Speaker, $230 each, 203-797-8268.

STIHL 5800-R Trimmer- $200, 1yo, terrific condition, 203-948-1158

STIHL BR 600 Blower- $480 203-948-1158

TIRES & RIMS/ VEHICLE PARTS Call for Details 203-923-6807

Vintage L.C. Smith and Corona Typewriter, $175 203-743-3494

VINYL 45RPM REC. LARGE COLLECTION. $5 EACH. (203-426-1483)

VINYL 45 RPM RECORDS, LARGE COLLEC. $5 EACH. (203-426-1483)

VINYL 78 RPM RECORDS. VINTAGE COLLECTION. $10. (203-426-1483)

APARTMENTS / CONDOS FURNISHED STAMFORD

APARTMENTS / CONDOS FURNISHED STAMFORD

★★★
★★★

A & B APARTMENTS AT THE ROYAL PAVILLION
Short & Long term.
1 & 2 Bedrooms
Indoor parking. 24hr security.
203-359-8466
www.stamfordrentals.com

★★★

MERCHANDISE FOR SALE

WELDED WIRE FENCING, 72", 2x4 mesh, 150 foot rolls (3), $75 each. 860-355-2800

WHEEL HORSE D260 tractor been sitting, will need ignition switch and TLC $500. 203-792-5433

ESTATE/TAG SALE SERVICES

Tag Sale: Automtv/grg & misc tools, HH items, furn. & much more. Sat June 3, 9-4, 21 Possum Dr, New Fairfield.

READ & PLACE CLASSIFIED ADS ONLINE

TAG / ESTATE / CRAFT FLEA MARKET SALES

BETHEL MULTI-FAMILY TAG SALE
6/3 9-4 & 6/4; 10-2, 7 Famum Hill. Something for everyone! Furn, tbl, kitchen equipment, bike rack, holiday decor, kids toys & clothes, adult clothes, lamps, tools, bedding & much more!

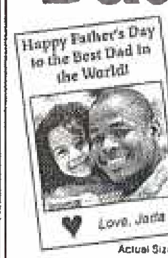
BETHEL HUGE NEIGHBORHOOD TAG SALE Plumtree Heights. Sat. 6/3, 8AM-2PM. Baby/kids/adult books, toys, clothes, antiques, furniture, misc. Park on Ballfield Road

BETHEL HUGE Tag Sale. Sat 6/3, 9-3; Bethel Congregational Church, 46 Main Street. Too much to list!

BRIDGEWATER PHASE 2 tag sale GrgEstg und, name your price, Sat Sun. 8-4, 29 New Milford Rd West.

BROOKFIELD DAYCARE CLOSING SALE 6/3, 9AM-1PM, 4 Parkwood Drive, cribs, changing table, toddler bed, double stroller, high chairs, play pens, crafts & toys!

SHARE THE LOVE
This Father's Day
Dad & Me
Sunday, June 18th



Actual Size

Take out an ad showing your love this Fathers Day. Have a message and a photo of fathers with sons and/or daughters.

$20.00 per box

- Message: 15 words maximum
- You may purchase more than one box
- Photos will be returned with a self addressed envelope.
- Ads must be in our office by Wednesday, June 14
- Make checks payable to: Hearst Media Services

Fill in the information and mail to the address listed below OR give us a call and we can help you over the phone

Your message ____________________

Your Name ____________________
Address ____________________
City/Zip ____________________ Phone ____________________
❑ Check Enclosed Exp Date ____/____
Credit Card # ____________________

Mail to:
Hearst Media Group
Classified Dept. Dad & Me
410 State Street
Bridgeport, CT 06604

Circle One:
Connecticut Post
The News-Times
The Advocate
The Hour
Greenwich Time

203-333-4151
Option 4
To send your photo by email, call us for more information.

WCOSC000015
06/29/2017

ATTACHMENT IV

Proposal Information

Select the appropriate proposal type from the dropdown below. If unsure which item to select, please call the OHCA main number (860-418-7001) for assistance.

Proposal Type (select from dropdown)	Transfer of ownership of a health care facility
Brief Description	Western Connecticut Orthopedic Surgical Center, LLC owns and operates Western Connecticut Orthopedic Surgical Center in Danbury. SCA-Western Connecticut, LLC, which owns 49% of Western Connecticut Orthopedic Surgical Center, LLC, is requesting approval to acquire an additional 11% of the company's membership interests. This would give SCA-Western Connecticut, LLC a 60% controlling interest in Western Connecticut Orthopedic Surgical Center, LLC and Western Connecticut Orthopedic Surgical Center.
Proposal Address	226 White Street Danbury, CT 06810
Capital Expenditure	$ 4,926,743

Is this Application the result of a Determination indicating a CON application must be filed?

☒ No

☐ Yes, Docket Number: Click here to enter text.

Applicant(s) Information

	Applicant One	**Applicant Two*** (if applicable)
Applicant: Name & Address	Western Connecticut Orthopedic Surgical Center, LLC 226 White Street Danbury, CT 06810	SCA-Western Connecticut, LLC 569 Brookwood Village Suite 901 Birmingham, AL 35209
Parent Corporation: Name & Address (if applicable)	N/A	UnitedHealth Group Incorporated 9900 Bren Road East Minnetonka, MN 55343
Contact Person: Name, Title, Address	Diane Heelan Administrator/Director of Nursing	Jennifer Fusco Legal Counsel Updike, Kelly & Spellacy, P.C. 265 Church Street New Haven, CT 06510
Company	Western Connecticut Orthopedic Surgical Center	Updike, Kelly & Spellacy, P.C.
Email Address	diane.heelan@scasurgery.com	jfusco@uks.com
Phone	(203) 791-9557, ext. 6327	(203) 786-8316
Fax Number	(203) 791-9667	(203) 772-2037
Tax Status (check one box)	☒ For Profit ☐ Not-for-Profit	☒ For Profit ☐ Not-for-Profit

**For more than two Applicants, attach a separate sheet with the above information*

FOR OFFICE USE ONLY	
Docket #:	Staff Assigned :
Date Received:	

Executive Summary

The purpose of the Executive Summary is to give the reviewer a conceptual understanding of the proposal. In the space below, provide a succinct overview of your proposal (this may be done in bullet format). Summarize the key elements of the proposed project. Details should be provided in the appropriate sections of the application that follow.

This proposal involves the transfer of 11% of the membership interests in Western Connecticut Orthopedic Surgical Center, LLC to SCA-Western Connecticut, LLC, an affiliate of Surgical Care Affiliates, LLC and UnitedHealth Group Incorporated. Western Connecticut Orthopedic Surgical Center, LLC is the licensed operator of an outpatient surgical facility, Western Connecticut Orthopedic Surgical Center, located at 226 White Street in Danbury. SCA-Western Connecticut, LLC acquired a 49% minority interest in the facility in May of 2017. The remaining 51% is owned by physician investors. Surgical Care Affiliates, LLC has been providing day-to-day management services at Western Connecticut Orthopedic Surgical Center since May of 2017.

Western Connecticut Orthopedic Surgical Center is a multi-specialty center that provides ambulatory services in the following surgical specialties: Orthopedics, pain management, and spine. Its primary service area contains a number of cities/towns in and around Danbury. There are currently 14 physicians who own an interest in facility and more who are non-investor members of the Medical Staff.

SCA-Western Connecticut, LLC's acquisition of a majority, controlling interest in Western Connecticut Orthopedic Surgical Center, LLC will improve the quality, accessibility and cost-effectiveness of care. SCA, now a subsidiary of UnitedHealth Group Incorporated's Optum business line, brings a wealth of experience to the center. It operates more than 200 surgical facilities nationwide, including six in Connecticut. The company will use its size and resources to recruit talented physicians, leverage cost savings and offer competitive compensation packages. Western Connecticut Orthopedic Surgical Center has also transitioned to in-network with Cigna and Aetna, which will help reduce costly out-of-network charges for individual insured by these payers who opt to use the center.

As a result of the foregoing, SCA expects to see increases in volume at Western Connecticut Orthopedic Surgical Center in coming years. This will contribute to the viability of the center and ensure that it continues to exist as a lower-cost alternative for ambulatory surgical care in the Greater Danbury Area.

Pursuant to Section 19a-639 of the Connecticut General Statutes, the Office of Health Care Access is required to consider specific criteria and principles when reviewing a Certificate of Need application. Text marked with a "§" indicates it is actual text from the statute and may be helpful when responding to prompts.

Project Description

1. Provide a detailed narrative describing the proposal. Explain how the Applicant(s) determined the necessity for the proposal and discuss the benefits to the public and for each Applicant, separately. Include all key elements, including the parties involved, what the proposal will entail, the equipment/service location(s), the geographic area the proposal will serve, the implementation timeline and why the proposal is needed in the community.

RESPONSE:

The proposal involves the acquisition by SCA-Western Connecticut, LLC ("SCA-Western Connecticut") of an additional 11% of the membership interests in Western Connecticut Orthopedic Surgical Center, LLC ("WCOSC, LLC" or the "Company"), which owns and operates Western Connecticut Orthopedic Surgical Center ("WCOSC" or the "Center"). WCOSC is a duly licensed outpatient surgical facility located at 226 White Street in Danbury. SCA-Western Connecticut is a subsidiary of UnitedHealth Group Incorporated ("UHG"), a publicly-traded company that by and through its subsidiaries, operates a diversified family of businesses dedicated to helping people live healthier lives. UHG merged with Surgical Care Affiliates, Inc. ("SCA") in March of 2017, bringing SCA under UHG's Optum business line.

SCA (now part of UHG) owns and operates outpatient surgical facilities nationwide. SCA currently owns an interest in six (6) licensed multi-specialty centers operating in Connecticut as follows:

UHG-SCA Licensed Outpatient Surgical Facilities in Connecticut

Facility Name	Facility Address	DPH Licensure Category	Surgical Subspecialties Offered
Connecticut Surgery Center	81 Gillett Street Hartford, CT 06105	Outpatient Surgical Facility	Orthopedics; Spine/Neurosurgery; Pain Management; Urology; Gynecology; Ophthalmology; Ear Nose & Throat; and Podiatry
Danbury Surgical Center	73 Sandpit Road Danbury, CT 06810	Outpatient Surgical Facility	Orthopedics; Spine/Neurosurgery; Pain Management; Urology; Ophthalmology; and Gastroenterology
River Valley Ambulatory Surgery Center	45 Salem Turnpike Norwich, Ct 06360	Outpatient Surgical Facility	Orthopedics; Pain Management; Ophthalmology; Ear Nose & Throat; Podiatry; General Surgery; Plastic Surgery; and Gastroenterology
Surgery Center of Fairfield County	112 Quarry Road Trumbull, CT 06611	Outpatient Surgical Facility	Orthopedics; Spine/Neurosurgery; Pain Management; Urology; Gynecology; Ophthalmology; Ear, Nose & Throat; Podiatry; General Surgery; Plastic Surgery; Oral Surgery; and Gastroenterology
Surgical Center of Connecticut	4920 Main Street Bridgeport, CT 06606	Outpatient Surgical Facility	Orthopedics; Spine/Neurosurgery; Pain Management; Urology; Podiatry; General Surgery; Gastroenterology; Plastic Surgery

Facility Name	Facility Address	DPH Licensure Category	Surgical Subspecialties Offered
Western Connecticut Orthopedic Surgical Center	226 White Street Danbury, CT 06810	Outpatient Surgical Facility	Orthopedics; Pain Management; Spine

Background on Western Connecticut Orthopedic Surgical Center

Western Connecticut Orthopedic Surgical Center, formerly known as The Hand Center of Western Connecticut, has been in existence for over a decade serving the outpatient surgical needs of the Greater Danbury community. The Center is a multi-specialty ambulatory surgical facility with two (2) operating rooms and one (1) procedure room. It offers surgical services in specialties including orthopedics, pain management and spine. The Center's primary service area includes the towns/cities of Danbury, New Milford, Newtown, Ridgefield, Brookfield, Bethel, Southbury, and New Fairfield. WCOSC participates with Medicare, Medicaid and many commercial payers and is accredited by the Accreditation Association for Ambulatory Healthcare, Inc. ("AAAHC") and the Ambulatory Surgery Center Association ("ASCA").

WCOSC was initially operated as a 100% physician-owned facility owned by The Hand Center of Western Connecticut, LLC ("THC"). In June of 2012, OHCA determined that no CON was required to syndicate ownership of THC to an affiliate of Merritt Healthcare ("Merritt") and a number of individual physician investors (collectively the "Sellers") (*see* Docket No. 12-31754-DTR). Until recently, a majority of the Company was owned by 14 Connecticut-licensed physician investors, with a minority stake held by Merritt Healthcare Holdings Danbury, LLC ("Merritt-Danbury"). Merritt managed day-to-day operations of the Center. There are currently 20 surgeons on the Medical Staff of WCOSC. The Center has performed well in its initial years of operation post-syndication, with surgical volume increasing from 974 procedures in FY 2014 to 2,805 procedures in FY 2016. This represents a 188% increase in volume over three years.

In 2016, Merritt made a strategic decision to divest its interests and management role in certain outpatient surgery centers in Connecticut, including WCOSC. Merritt and its physician partners believed that it was in the best interest of the Center to obtain a larger strategic partner who could assist the facility through scale and resources. WCOSC, LLC explored a variety of options, including other potential buyers, before it ultimately selected SCA as the purchaser.

On May 1, 2017, SCA-Western Connecticut acquired a 49% interest in WCOSC, LLC, acquiring all of Merritt-Danbury's interests and some additional interests previously held by physician investors. This acquisition was consistent with other SCA minority interest acquisitions authorized by OHCA in Docket Nos. 16-32127-DTR and 16-32128-DTR. SCA also took over the day-to-day management of WCOSC effective May 1, 2017. SCA-Western Connecticut is now looking to acquire a majority interest in the Company. This will allow it to better negotiate managed care contracts on behalf of WCOSC and ensure the quality, accessibility and cost-effectiveness of services provided at the Center. Majority ownership is necessary in order to undertake joint managed care contracting for multiple facilities within a geographic area. As

SCA's footprint in Connecticut grows this becomes increasingly important.

Benefits of SCA Ownership

In selecting SCA as their buyer, the Sellers acknowledged the strategic value of partnering with an established leader in the outpatient surgery center industry. They believed that a partnership with SCA would allow WCOSC to continue to provide patients with access to high-quality surgical care at a lower cost than provider-based options in the service area. In addition, the Sellers recognized that SCA brings a wealth of experience in ambulatory surgical facility management and administrative services to the Center.

SCA ownership will add considerable value to the Center, its physicians and its patients. Just prior to the closing of SCA-Western Connecticut's minority buy-in, WCOSC went in-network with Cigna and Aetna. Going forward this will allow more patients to receive their surgical services at the Center without incurring costly out-of-network charges. In addition, SCA will be able to leverage its scale to the benefit of the Center. For example, SCA should be able to provide GPO cost savings and SCA will provide compensation and benefits to Center personnel on a more national scale. SCA also offers a superior data and analytics platform that will enhance the Center's operations.

SCA's growing state-wide footprint is also beneficial for a variety of reasons. First, SCA is able to better negotiate with payers for in-network contracts when it has multiple affiliated facilities in a given area (and as mentioned above majority ownership is required to undertake joint contracting). Second, having an ownership interest in multiple facilities within a state provides SCA with an advantage for recruiting highly skilled, sought after physicians. Third, SCA is able to leverage its relationship with multiple facilities across the state with per diem staff. SCA can send per diem personnel to various facilities on a daily basis, thus meeting the staffing needs of those facilities and providing per diem staff with steady work opportunities that would otherwise be unavailable at just one ambulatory surgery center.

The only changes that SCA is proposing for WCOSC are positive ones. As previously mentioned, SCA majority ownership should expand commercial insurance coverage for surgeries performed at the Center, giving more patients access to services at a lower cost. SCA will also maintain the Center as a free-standing outpatient surgical facility, which is a less-costly alternative to hospital-based ambulatory surgical care. In addition, SCA expects to increase volume through physician recruitment and enhance the quality of care at WCOSC with its experience and leverage as discussed above.

SCA-Western Connecticut plans to complete the majority acquisition upon receipt of regulatory approval.

2. Provide the history and timeline of the proposal (i.e., When did discussions begin internally or between Applicant(s)? What have the Applicant(s) accomplished so far?).

RESPONSE:

Merritt made a strategic decision in 2016 to divest its ownership and management interests in WCOSC. SCA was contacted in March of 2016 to request a proposal to acquire an ownership interest in the Company and assume day-to-day management of the Center's operations. Definitive agreements were signed and SCA-Western Connecticut acquired a 49% interest in WCOSC, LLC on May 1, 2017. SCA began providing management services effective May 1, 2017.

The definitive agreements contemplated a two-phase transaction. The first phase included the minority acquisition by SCA-Western Connecticut and the initiation of SCA management services. Phase II contemplates the majority buy-up by SCA-Western Connecticut. This acquisition will take place upon receipt of regulatory approval.

3. Provide the following information:

   a. utilizing **OHCA Table 1**, list all services to be added, terminated or modified, their physical location (street address, town and zip code), the population to be served and the existing/proposed days/hours of operation;

RESPONSE:

See OHCA Table 1.

   b. identify in **OHCA Table 2** the service area towns (i.e., use only official town names) and explain the reason for their inclusion (e.g., provider availability, increased/decreased patient demand for service, market share);

RESPONSE:

See OHCA Table 2. The towns comprise the lowest number of contiguous ZIP codes that accounted for approximately 75% of the Center's existing volume in FY 2016.

4. List the health care facility license(s) that will be needed to implement the proposal;

RESPONSE:

No new licenses will be necessary for implementation of the proposal. WCOSC is currently licensed by the Department of Public Health as an Outpatient Surgical Facility. This license will remain in place following the majority change of ownership. The Department has been notified of the proposed transaction and will be provided with additional documentation once the transfer is complete.

5. Submit the following information as attachments to the application:

   a. a copy of all State of Connecticut, Department of Public Health license(s) currently held by the Applicant(s);

RESPONSE:

See WCOSC, LLC's Outpatient Surgical Facility license (No. 0342) attached as Exhibit A.

   b. a list of all key professional, administrative, clinical and direct service personnel related to the proposal and attach a copy of their Curriculum Vitae;

RESPONSE:

Curriculum Vitae for the following individuals are attached as Exhibit B:

Diane Heelan, Facility Administrator & Director of Nursing
John Lunt, M.D. – Medical Director
Sap Sinhah – Director of Operations, Surgical Care Affiliates

   c. copies of any scholarly articles, studies or reports that support the need to establish the proposed service, along with a brief explanation regarding the relevance of the selected articles;

RESPONSE:

Not applicable. No new service is being proposed.

   d. letters of support for the proposal;

RESPONSE:

See Exhibit C attached.

   e. the protocols or the Standard of Practice Guidelines that will be utilized in relation to the proposal. Attach copies of relevant sections and briefly describe how the Applicant proposes to meet the protocols or guidelines.

RESPONSE:

As previously mentioned, WCOSC is accredited by AAAHC and ASCA. The Center meets all of the Standard of Practice Guidelines required for accreditation and will continue to meet these guidelines, and maintain its accreditation, under SCA majority ownership.

f. copies of agreements (e.g., memorandum of understanding, transfer agreement, operating agreement) related to the proposal. If a final signed version is not available, provide a draft with an estimated date by which the final agreement will be available.

RESPONSE:

The following agreements are attached as Exhibit D:

- Membership Interest Purchase Agreement;
- Second Amended and Restated Operating Agreement of Western Connecticut Orthopedic Surgical Center, LLC;
- Management Agreement; and
- Transfer Agreement between WCOSC and The Danbury Hospital.

Public Need and Access to Care

§ "Whether the proposed project is consistent with any applicable policies and standards adopted in regulations by the Department of Public Health;" (Conn.Gen.Stat. § 19a-639(a)(1))

6. Describe how the proposed project is consistent with any applicable policies and standards in regulations adopted by the Connecticut Department of Public Health.

RESPONSE:

OHCA has not yet established policies and standards in regulation concerning the transfer of ownership of ambulatory surgery centers. Notwithstanding, this proposal improves the quality, accessibility and cost-effectiveness of care; ensures the continued existence of lower-cost, freestanding ASC services in the Greater Danbury Area; promises the expansion of access for patients with certain insurance plans; and brings the experience of a national outpatient surgery provider to the service area for the benefit of Greater Danbury Area residents. All of this is consistent with the statutes that guide OHCA's decision making process for CON requests, as well as the objectives of the Statewide Healthcare Facilities and Services Plan ("SHP") as discussed below.

§ "The relationship of the proposed project to the statewide health care facilities and services plan." (Conn.Gen.Stat. § 19a-639(a)(2))

7. Describe how the proposed project aligns with the Connecticut Department of Public Health Statewide Health Care Facilities and Services Plan, available on OHCA's website.

RESPONSE:

The proposed majority acquisition by SCA-Western Connecticut is consistent with a number of

the Guiding Principles set forth in Section 1.4 of the SHP as follows:

- Promote and support the long term viability of the state's health care delivery system – SCA is a national ambulatory surgery provider with a long history of owning and operating outpatient surgical facilities in Connecticut and across the country. SCA's involvement with WCOSC will help to ensure the success and continued viability of the Center as a freestanding outpatient surgery alternative in the Greater DanburyArea.

- Ensure that any regulated services will maintain overall access to quality healthcare; Maintain and improve the quality of health care services offered to the state's residents – As noted above, SCA's involvement with WCOSC will ensure that the Center continues to provide lower-cost access to ambulatory surgery care in the service area. In addition, SCA will call on its experience in operating more than 200 surgical facilities nationwide to build on WCOSC's excellent track record for providing quality surgical services.

- Promote equitable access to health care services (e.g., reducing financial barriers, increasing availability of physicians) – WCOSC recently went in-network with Cigna and Aetna. This will remove financial barriers to access for patients who would otherwise incur costly out-of-network charges if they chose to obtain surgical services at the Center. In addition, the fact that SCA and its affiliates own an interest in multiple facilities in Connecticut will assist with the recruitment of highly qualified physicians to the Center's Medical Staff.

- Promote planning that helps to contain the cost of delivering healthcare services to its residents – SCA's ownership and management of WCOSC will ensure that the Center continues to exist as a lower-cost alternative to provider-based outpatient surgical care for residents of the Greater Danbury Area.

§ "Whether there is a clear public need for the health care facility or services proposed by the applicant;" (Conn.Gen.Stat. § 19a-639(a)(3))

8. With respect to the proposal, provide evidence and documentation to support clear public need:

   a. identify the target patient population to be served;

RESPONSE:

The target patient population includes those patients in need of multispecialty outpatient surgical services residing in the Center's PSA and other service area towns listed in OHCA Tables 2 & 8. In addition, the Center recently began participating with additional payers, including Cigna and Aetna. This will potentially allow additional patients to use the Center as an in-network provider and avoid costly out-of-network charges.

b. discuss if and how the target patient population is currently being served;

RESPONSE:

The target patient population is currently being served by WCOSC. This patient population will continue to be served by WCOSC under SCA majority ownership. No changes in services or patient population are expected as a result of this proposal.

c. document the need for the equipment and/or service in the community;

RESPONSE:

Not applicable. No new equipment or service is being proposed. See Response to Question 1. (Project Description) above for discussion of need for transfer of ownership.

d. explain why the location of the facility or service was chosen;

RESPONSE:

Not applicable. WCOSC is an existing outpatient surgical facility. Applicants are not proposing to relocate the Center as a result of this proposal.

e. provide incidence, prevalence or other demographic data that demonstrates community need;

RESPONSE:

Not applicable. No new services are being proposed. WCOSC is currently meeting a need for outpatient surgical services in the Greater Danbury Area for patients of all payer classes based on its historic utilization by service area residents. See OHCA Tables 2, 5, 7 & 8.

f. discuss how low income persons, racial and ethnic minorities, disabled persons and other underserved groups will benefit from this proposal;

RESPONSE:

WCOSC has historically provided surgical services to Medicaid recipients and uninsured patients. This will continue to be the practice under SCA majority ownership. In addition, SCA has a history of non-discrimination in the treatment of patients at all of its facilities nationwide. WCOSC currently serves patient regardless of income level, race, ethnicity, or disability and this will continue under SCA majority ownership.

SCA's policy regarding Non-Discrimination in the Treatment of Patients is attached as Exhibit E.

g. list any changes to the clinical services offered by the Applicant(s) and explain why the change was necessary;

RESPONSE:

Not applicable. No changes to surgical services are proposed.

h. explain how access to care will be affected; and

RESPONSE:

The proposal by SCA to acquire a majority interest in the Center will have a positive impact on access to care. SCA's breadth of experience will help to ensure the viability of WCOSC and maintain the Center as an alternative to hospital-based outpatient surgical care in the Greater Danbury Area. In addition, WCOSC recently entered into in-network agreements with Cigna and Aetna, which will increase access to cost-effective surgical services for patients covered by these plans who opt to use the Center. Lastly, SCA is committed to ensuring continued access to services for Medicaid recipients and indigent persons, consistent with the Center's current policies.

i. discuss any alternative proposals that were considered.

RESPONSE:

As previously mentioned, SCA and its affiliates are acquiring membership interests and assuming management responsibilities currently held by Merritt Healthcare and its affiliates. When Merritt decided to divest its interests in certain outpatient surgery centers in Connecticut the Sellers explored a variety of options, including other potential buyers. The Sellers ultimately selected SCA as the purchaser for the reasons discussed herein.

§ *"Whether the applicant has satisfactorily demonstrated how the proposal will improve quality, accessibility and cost effectiveness of health care delivery in the region, including, but not limited to, (A) provision of or any change in the access to services for Medicaid recipients and indigent persons; (Conn.Gen.Stat. § 19a-639(a)(5))*

9. Describe how the proposal will:

   a. improve the quality of health care in the region;

RESPONSE:

SCA intends to build upon WCOSC's excellent clinical track record. The Center serves as a high-quality outpatient surgery option for patients in the Greater Danbury Area, at a lower cost to patients and payers than the same services provided in a hospital setting. SCA will enhance the quality of care at WCOSC by incorporating best practices from the more than 200 surgery centers it owns and manages across the country. SCA is also exploring contracts with third-party payers that include quality incentives.

Since its affiliation with SCA, WCOSC has been working with SCA's clinical team to closely track and improve their already impressive clinical results. SCA's clinical lead (Donna Bowers) in the Northeast region will be conducting clinical onboarding with the WCOSC clinical team on-site in mid-July. Focused instructional time will be dedicated to infection control, life safety regulations as set by the American Society for Healthcare Engineering and medication management. The purpose of SCA's clinical lead program is to provide the facility with the ability to have an external resource assist with targeting areas for quality improvement, survey preparation and clinical training on new quality rules and regulations.

SCA will be transitioning WCOSC from a manual tracking and reporting system to Quantros, an electronic system that allows for anonymous entries and systematic tracking of incident reporting along with subsequent corrective actions. Quantros facilitates a culture of transparency and creates a comprehensive approach to measuring quality performance.

In addition to meeting all of the requirements for AAAHC and ASCA accreditation and achieving historically strong results on the state survey, WCOSC has targeted specific areas for improvement through focused quality initiatives. A recent QI study conducted at WCOSC centered on improving Hand Hygiene. Background and results from the survey are attached as Exhibit F.

SCA's clinical leads have also introduced the SCA Quality Index to WCOSC. The SCA quality index benchmarks SCA's 200+ facilities against each other in the following areas: CMS ASC quality measures, patient satisfaction, accreditation status and CMS survey results. SCA considers the quality index it's most vital measurement of the success of a facility. A description of the scoring criteria for the index is attached as Exhibit G.

b. improve accessibility of health care in the region; and

RESPONSE:

See Response to Question 8.h. (Public Need & Access to Care) above.

c. improve the cost effectiveness of health care delivery in the region.

RESPONSE:

Generally speaking, ambulatory surgical services provided in a non-hospital-based outpatient setting such as WCOSC are less costly than those provided in a hospital setting. In addition, the cost of care will decrease for some patients with the transition to in-network status with certain additional payers (e.g. Cigna & Aetna). These patients will no longer need to pay costly out-of-network charges if they choose to obtain surgical services at WCOSC.

10. How will the Applicant(s) ensure that future health care services provided will 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? (More details on CLAS standards can be found at http://minorityhealth.hhs.gov/).

RESPONSE:

See Exhibit E attached.

11. How will this proposal help improve the coordination of patient care (explain in detail regardless of whether your answer is in the negative or affirmative)?

RESPONSE:

This proposal – in particular the proposed addition of WCOSC to the networks of several major insurers – will enhance the coordination of patient care. With expanded insurance coverage for services provided at the Center surgeons and their patients will have another choice for outpatient surgical care in the area. Surgeons will be able to coordinate care for their patients at a high-quality facility without patients incurring costly out-of-network charges.

12. Describe how this proposal will impact access to care for Medicaid recipients and indigent persons.

RESPONSE:

WCOSC has historically serviced Medicaid and uninsured/self-pay patients. The Center will continue to serve these patients under SCA majority ownership consistent with SCA's practice of

serving patients regardless of their ability to pay. As OHCA Table 7 shows, SCA expects to continue to see these patients at the Center at comparable levels in future years.

13. Provide a copy of the Applicant's charity care policy and sliding fee scale applicable to the proposal.

RESPONSE:

SCA's policy regarding Financial Hardships – Charity Discounts is being implemented at WCOSC. A copy is attached as Exhibit H.

14. If charity care policies will be changed as a result of the proposal, list all changes and describe how the new policies will affect patients.

RESPONSE:

As noted above, SCA's policy regarding Financial Hardships – Charity Discounts is being implemented at WCOSC.

This change will be positive for patients. Several factors impact each patient's ability to meet their individual financial obligation requirements as set forth by their health plan. Consultations are held with SCA's revenue cycle team prior to service that establish expectations for payment. If the patient is not able to meet their expected obligation up front, a tailored plan is developed that takes into account their specific circumstances such as their total payment amount, their ability to make consistent payments, their requested time period and any other financial hardships. Every effort is made to provide full transparency prior to service. There are no restrictions on the types of payers that physicians can schedule at the facility, other than the restrictions placed by payers themselves.

> *§ "Whether an applicant, who has failed to provide or reduced access to services by Medicaid recipients or indigent persons, has demonstrated good cause for doing so, which shall not be demonstrated solely on the basis of differences in reimbursement rates between Medicaid and other health care payers;" (Conn.Gen.Stat. § 19a-639(a)(10))*

15. If the proposal fails to provide or reduces access to services by Medicaid recipients or indigent persons, provide explanation of good cause for doing so.

RESPONSE:

The proposal does not fail to provide or reduce access to services by Medicaid recipients or indigent persons. As noted in Response to Question 12 (Public Need & Access to Care) above, the Center intends to maintain services for Medicaid and indigent persons at or around current levels under SCA majority ownership.

§ *"Whether the applicant has satisfactorily demonstrated that any consolidation resulting from the proposal will not adversely affect health care costs or accessibility to care." (Conn.Gen.Stat. § 19a-639(a)(12))*

16. Will the proposal adversely affect patient health care costs in any way? Quantify and provide the rationale for any changes in price structure that will result from this proposal, including, but not limited to, the addition of any imposed facility fees.

RESPONSE:

The proposal will not adversely affect patient healthcare costs in any way. As previously noted, WCOSC will remain a lower-cost option for outpatient surgical care in the Greater Danbury Area under SCA majority ownership.

Financial Information

§ *"Whether the applicant has satisfactorily demonstrated how the proposal will impact the financial strength of the health care system in the state or that the proposal is financially feasible for the applicant;" (Conn.Gen.Stat. § 19a-639(a)(4))*

17. Provide the Applicant's fiscal year: start date (mm/dd) and end date (mm/dd).

RESPONSE:

01/01 – 12/31

18. Describe the impact of this proposal on the financial strength of the state's health care system or demonstrate that the proposal is financially feasible for the applicant.

RESPONSE:

This proposal will have a favorable impact on the financial strength of the state's healthcare system by preserving and enhancing access to care at a lower-cost ambulatory surgical provider. Non-hospital-based ambulatory surgical facilities tend to be reimbursed at lower rates than hospital-based services. SCA also intends to negotiate additional in-network contracts, which will eliminate costly out-of-network charges for patients who choose to use WCOSC.

In addition, Financial Worksheet B attached as Exhibit I shows that the proposal is financially feasible. Net income with the CON proposal is projected to exceed $4 million by FY 2019, the second full year of SCA majority ownership.

19. Provide an estimate of the capital expenditure/costs for the proposal using **OHCA Table 3.**

RESPONSE:

See OHCA Table 3. The $4,926,743 purchase price for 11% of WCOSC, LLC's membership interests is not a "capital expenditure" per se, but is included in the attached table under "other" for information purposes.

20. List all funding or financing sources for the proposal and the dollar amount of each. 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:

SCA-Western Connecticut will finance its equity purchase of $4,926,743 with available cash from operations.

21. Include as an attachment:

    a. audited financial statements for the most recently completed fiscal year. If audited financial statements do not exist, provide other financial documentation (e.g., unaudited balance sheet, statement of operations, statement of cash flow, tax return, or other set of books). Connecticut hospitals required to submit annual audited financial statements may reference that filing, if current;

RESPONSE:

A Profit & Loss Statement, Balance Sheet and Statement of Cash Flows for WCOSC, LLC for FY 2016 are attached as Exhibit J. Consolidated Statements of Operations, Consolidated Balance Sheets, and Consolidated Statements of Cash Flow for Surgical Care Affiliates, Inc. for FY 2016 are also included in Exhibit J.1

1 Surgical Care Affiliates, Inc. merged with a subsidiary of UHG in March of 2017. Because UHG did not own SCA or its subsidiaries in FY 2016, its Audited Financial Statements have not been provided.

b. completed **Financial Worksheet A (non-profit entity), B (for-profit entity) or C (§19a-486a sale)**, available at OHCA Forms, providing a summary of revenue, expense, and volume statistics, "without the CON project," "incremental to the CON project," and "with the CON project." **Note: the actual results reported in the Financial Worksheet must match the audited financial statements previously submitted or referenced. In addition, please make sure that the fiscal years reported on the Financial Worksheet are the same fiscal years reported for the financial projections, utilization and payer mix tables (OHCA Tables 4, 6 and 7).**

RESPONSE:

Financial Worksheet B attached as Exhibit I.

22. Complete **OHCA Table 4** utilizing the information reported in the attached Financial Worksheet.

RESPONSE:

See OHCA Table 4.

23. Fully identify and explain all assumptions used in the projections reported in the Financial Worksheet. In providing these detailed assumptions, please include the following:

    a. Identify general assumptions for projected amounts that are estimated to be the same, both with or without this proposed project (i.e., project-neutral increases or decreases that occur between years). Explain significant variances (+/- 25% variances) that occur between years for the project neutral changes;

RESPONSE:

The increase in volume and net patient revenue in FY 2017 both "without" and "with" the CON proposal is the result of (i) the addition of several new orthopedic physicians; and (ii) the continued ramp-up in volume from WCOSC's transition to an in-network model with Cigna and Aetna that occurred at the end of FY 2016. The latter increases are modeled based on the center's annualized volume from November 2016 through March 2017. In subsequent years, volume and net patient revenue, as well as operating expenses, are assumed to grow at 1.5% based on SCA's experience at other facilities in Connecticut and nationally. Expenses were projected based on FY 2016 percentages and are consistent with historic trends. Note, none of these changes are considered "incremental" to this CON proposal because the increases are expected as a result of SCA-Western Connecticut's minority interest purchase and not specifically as a result of the majority buy-up.

b. Identify specific assumptions for all projected amounts that are estimated to change as a result of implementation of the proposed project (i.e., project-specific increases or decreases). Address projected changes in revenue, payer mix, expense categories and FTEs. In addition, connect any service, volume (utilization) or payer mix changes described elsewhere in the CON application narrative or tables with these financial assumptions;

RESPONSE:

Not applicable.

c. If the Applicant does not project any specific increases or decreases with the project in the Financial Worksheet, please explain why.

RESPONSE:

See Response to Question 23.a. above. SCA-Western Connecticut already owns 49% of WCOSC, LLC. It does not anticipate any changes to its projections or assumptions specifically as a result of the purchase of an additional 11% of WCOSC, LLC's membership interests (i.e. incremental to this proposal).

24. Explain any projected incremental losses from operations resulting from the implementation of the CON proposal. Provide an estimate of the timeframe needed to achieve incremental operational gains.

RESPONSE:

Not applicable.

Utilization

§ "The applicant's past and proposed provision of health care services to relevant patient populations and payer mix, including, but not limited to, access to services by Medicaid recipients and indigent persons;" (Conn.Gen.Stat. § 19a-639(a)(6))

25. Complete **OHCA Table 5** and **OHCA Table 6** for the past three fiscal years ("FY"), current fiscal year ("CFY") and first three projected FYs of the proposal, for each of the Applicant's existing and/or proposed services. **Note: for OHCA Table 6, if the first year of the proposal is only a partial year, provide the partial year and then provide projections for the first three complete FYs. In addition, please make sure that the fiscal years reported on OHCA Table 6 are the same fiscal years reported for the financial projections and payer mix tables (OHCA Tables 4 and 7).**

RESPONSE:

See OHCA Tables 5 & 6. Units reported are surgical cases.

26. Provide a detailed explanation of all assumptions used in the derivation/ calculation of the projected service volume; explain any increases and/or decreases in volume reported in OHCA Table 5 and 6.

RESPONSE:

Historic volume increases at WCOSC were a result of initial ramp-up following the syndication to Merritt and individual physician investors in late FY 2013.

As previously noted, the projected volume reflects an increase as a result of the recent transition to in-network with Cigna and Aetna. This accounts for a 19% increase in case volume between FYs 2016 and 2017, as the change takes effect and volume ramps up. From FY 2017 forward SCA projects a modest 1.5% increase in volume consistent with its historic experience at surgical centers in Connecticut and nationwide.

27. Provide the current and projected patient population mix (number and percentage of patients by payer) for the proposal using **OHCA Table 7** and provide all assumptions. **Note: payer mix should be calculated from patient volumes, not patient revenues. Also, current year should be the most recently completed fiscal year.**

RESPONSE:

See OHCA Table 7. The payer mix at WCOSC is expected to remain the same with the exception of a small increase in commercially insured patient percentage (5%) projected as a result of the Center becoming an in-network provider with Cigna and Aetna.

§ *"Whether the applicant has satisfactorily identified the population to be served by the proposed project and satisfactorily demonstrated that the identified population has a need for the proposed services;" (Conn.Gen.Stat. § 19a-639(a)(7))*

28. Describe the population (as identified in question 8(a)) by gender, age groups or persons with a specific condition or disorder and provide evidence (i.e., incidence, prevalence or other demographic data) that demonstrates a need for the proposed service or proposal. **Please note: if population estimates or other demographic data are submitted, provide only publicly available and verifiable information (e.g., U.S. Census Bureau, Department of Public Health and Connecticut State Data Center) and document the source.**

RESPONSE:

Not applicable. No new services are being proposed.

29. Using **OHCA Table 8**, provide a breakdown of utilization by town for the most recently completed fiscal year. Utilization may be reported as the number of persons, visits, scans or other unit appropriate for the information being reported.

RESPONSE:

See OHCA Table 8.

§ *"The utilization of existing health care facilities and health care services in the service area of the applicant;" (Conn.Gen.Stat. § 19a-639(a)(8))*

30. Using **OHCA Table 9**, identify all existing providers in the service area and, as available, list the services provided, population served, facility ID (see table footnote), address, hours/days of operation and current utilization of the facility. Include providers in the towns served or proposed to be served by the Applicant, as well as providers in towns contiguous to the service area.

RESPONSE:

See OHCA Table 9.

31. Will this proposal shift volume away from existing providers in the area? If not, explain in detail why the proposal will have no impact on existing provider volumes.

RESPONSE:

There will be no impact on existing providers with the proposed majority change of ownership.

WCOSC is an existing surgical facility with an established physician and patient base. There is no proposed change in the scope of services provided at the Center. This proposal is simply for the transfer of 11% of the membership interests in the Company that owns and operates WCOSC.

32. If applicable, describe what effect the proposal will have on existing physician referral patterns in the service area.

RESPONSE:

Patients in need of surgical services that can be performed in an outpatient setting are referred by surgeons with offices in and around the Greater Danbury Area. Some of these physicians are owners of WCOSC and others are part of the Medical Staff. Patients come from the service area cities/towns set forth in OHCA Tables 2 & 8. Surgical services are offered in the subspecialties set forth in OHCA Tables 5 & 6.

Current referral patterns will not be affected by this proposal to transfer majority ownership of an ambulatory surgical facility to an existing minority owner.

> *§ "Whether the applicant has satisfactorily demonstrated that the proposed project shall not result in an unnecessary duplication of existing or approved health care services or facilities;" (Conn.Gen.Stat. § 19a-639(a)(9))*

33. If applicable, explain why approval of the proposal will not result in an unnecessary duplication of services.

RESPONSE:

This proposal will not result in the unnecessary duplication of services because WCOSC is an existing outpatient surgical facility. No new facilities or services are being proposed.

> *§ "Whether the applicant has satisfactorily demonstrated that the proposal will not negatively impact the diversity of health care providers and patient choice in the geographic region;" (Conn.Gen.Stat. § 19a-639(a)(11))*

34. Explain in detail how the proposal will impact (i.e., positive, negative or no impact) the diversity of health care providers and patient choice in the geographic region.

RESPONSE:

The proposal will have a positive impact on the diversity of healthcare providers and patient choice in the Greater Danbury Area. It brings the experience and expertise of SCA to another center in Danbury through ownership of an existing facility. In addition, WCOSC has

transitioned in-network with Cigna and Aetna in anticipation of SCA's buy-in. This will allow patients insured by these companies to choose the Center without incurring costly out-of-network charges.

Tables

TABLE 1
APPLICANT'S SERVICES AND SERVICE LOCATIONS

Service	Street Address, Town	Population Served	Days/Hours of Operation	New Service or Proposed Termination
Multi-specialty Ambulatory Surgery (Orthopedics; Pain Management; Spine)	226 White Street Danbury, CT 06810	Greater Danbury Area	Mon.-Fri., 7:00 a.m. – 5:00 p.m.	Not Applicable

[back to question]

TABLE 2
SERVICE AREA TOWNS

Town*	Reason for Inclusion
Danbury New Milford Newtown Ridgefield Brookfield Bethel Southbury New Fairfield	These towns comprise the lowest number of contiguous ZIP codes that account for approximately 75% of the Center's volume in FY 2016.

*List **official town name** only - village or place names are not acceptable.

[back to question]

TABLE 3
TOTAL PROPOSAL CAPITAL EXPENDITURE

Purchase/Lease	Cost
Equipment (Medical, Non-medical, Imaging)	
Land/Building Purchase*	
Construction/Renovation**	
Other (specify) **Equity Interest in WCOSC, LLC**	$4,926,743
Total Capital Expenditure (TCE)	**$4,926,743**
Lease (Medical, Non-medical, Imaging)***	$0
Total Lease Cost (TLC)	$0
Total Project Cost (TCE+TLC)	**$4,926,743**

*If the proposal involves a land/building purchase, attach a real estate property appraisal including the amount; the useful life of the building; and a schedule of depreciation.

**If the proposal involves construction/renovations, attach a description of the proposed building work, including the gross square feet; existing and proposed floor plans; commencement date for the construction/ renovation; completion date of the construction/renovation; and commencement of operations date.

***If the proposal involves a capital or operating equipment lease and/or purchase, attach a vendor quote or invoice; schedule of depreciation; useful life of the equipment; and anticipated residual value at the end of the lease or loan term.

[back to question]

TABLE 4
PROJECTED INCREMENTAL REVENUES AND EXPENSES

	FY 2017*	FY 2018*	FY 2019*	FY 2020*
Revenue from Operations	$0	$0	$0	$0
Total Operating Expenses	$0	$0	$0	$0
Gain/Loss from Operations	$0	$0	$0	$0

*Fill in years using those reported in the Financial Worksheet attached.

Note: please make sure that the fiscal years reported on the Financial Worksheet are the same fiscal years reported for the financial projections, utilization and payer mix tables (OHCA Tables 4, 6 and 7).

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TABLE 5
HISTORICAL UTILIZATION BY SERVICE

Service**	Actual Volume (Last 3 Completed FYs)			CFY Volume*
	FY 2014***	FY 2015***	FY 2016***	Q1 (Jan. – Mar.) FY 2017***
Orthopedics	938	2,156	2,561	782
Pain Management	30	171	124	36
Spine	6	57	120	33
Total	**974**	**2,384**	**2,805**	**851**

*For periods greater than 6 months, report annualized volume, **identify the months covered** and the method of annualizing. For periods less than 6 months, report actual volume and **identify the months covered**.

**Identify each service type and level adding lines as necessary. Provide the number of visits or discharges as appropriate for each service type and level listed.

***Fill in years. If the time period reported is not *identical* to the fiscal year reported in Table 4 of the application, provide the date range using the mm/dd format as a footnote to the table.

[back to question]

TABLE 6
PROJECTED UTILIZATION BY SERVICE

Service*	Projected Volume			
	FY 2017**	FY 2018**	FY 2019**	FY 2020**
Orthopedics	3,066	3,111	3,158	3,205
Pain Management	139	142	144	146
Spine	130	132	134	136
Total	**3,335**	**3,385**	**3,436**	**3,487**

*Identify each service type by location and add lines as necessary. Provide the number of visits/discharges as appropriate for each service listed.

**If the first year of the proposal is only a partial year, provide the first partial year and then the first three full FYs. Add columns as necessary. If the time period reported is not *identical* to the fiscal year reported in Table 4 of the application, provide the date range using the mm/dd format as a footnote to the table.

Note: please make sure that the fiscal years reported on the Financial Worksheet are the same fiscal years reported for the financial projections, utilization and payer mix tables (OHCA Tables 4, 6 and 7).

[back to question]

TABLE 7
APPLICANT'S CURRENT & PROJECTED PAYER MIX

Payer	Actual FY 2016**		Projected							
			FY 2017**		FY 2018**		FY 2019**		FY 2020**	
	Discharges	%	Discharges	%	Discharges	%	Discharges	%	Discharges	%
Medicare*	619	22	628	19	638	19	647	19	657	19
Medicaid*	8	0	8	0	8	0	9	0	9	0
CHAMPUS & TriCare	0	0	0	0	0	0	0	0	0	0
Total Government	**627**	**22**	**636**	**19**	**646**	**19**	**656**	**19**	**666**	**19**
Commercial Insurers	1,921	69	2,438	74	2,475	74	2,512	74	2,549	74
Uninsured	13	0	13	0	13	0	14	0	14	0
Workers Compensation	244	9	248	7	251	7	254	7	258	7
Total Non-Government	**2,178**	**78**	**2,699**	**81**	**2,739**	**81**	**2,780**	**81**	**2,821**	**81**
Total Payer Mix	**2,805**	**100**	**3,335**	**100**	**3,385**	**100**	**3,436**	**100**	**3,487**	**100**

*Includes managed care activity.

Fill in years. Current year should be the most recently **completed fiscal year. Ensure the period covered by this table corresponds to the period covered in the projections provided. New programs may leave the "current" column blank.

Note: please make sure that the fiscal years reported on the Financial Worksheet are the same fiscal years reported for the financial projections, utilization and payer mix tables (OHCA Tables 4, 6 and 7).

[back to question]

TABLE 8
UTILIZATION BY TOWN

Town	Utilization FY 2016**
Danbury	688
New Milford	277
Newtown	273
Ridgefield	212
Brookfield	199
Bethel	198
Southbury	161
New Fairfield	159
Other	638
Total	**2,805**

*List inpatient/outpatient/ED volumes separately, if applicable

Fill in most recently **completed fiscal year.

[back to question]

TABLE 9
SERVICES AND SERVICE LOCATIONS OF EXISTING PROVIDERS

Service or Program Name	Population Served	Facility ID*	Facility's Provider Name, Street Address and Town	Hours/Days of Operation	Current Utilization FY 2016
Brucato Plastic Surgery Center	Greater Danbury Area	Unknown	38-B Grove Street Ridgefield, CT 06877	Unknown	Unknown
Danbury Surgical Center	Greater Danbury Area	Unknown	73 Sandpit Road, /Suite 101 Danbury, CT	Mon. – Fri., 6:00 a.m. – 5:00 p.m.	7,096
Ridgefield Surgical Center/Danbury Hospital	Greater Danbury Area	Unknown	24 Hospital Avenue Danbury, CT 06810	Unknown	Unknown
Danbury Hospital	Greater Danbury Area	Unknown	901 Ethan Allen Highway, Suite 105 Ridgefield, CT 06877	24/7	Unknown

*Provide the Medicare, Connecticut Department of Social Services (DSS), or National Provider Identifier (NPI) facility identifier and label column with the identifier used. [back to question]

EXHIBIT A

STATE OF CONNECTICUT

Department of Public Health

LICENSE

License No. 0342

Out-Patient Surgical Facility

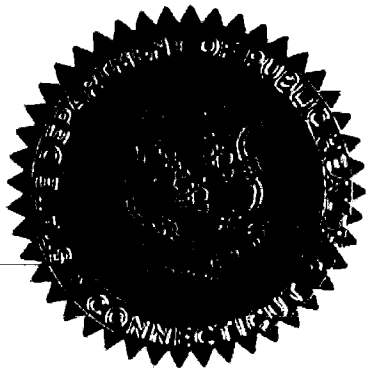
In accordance with the provisions of the General Statutes of Connecticut Section 19a-493:

Western Connecticut Orthopedic Surgical Center, LLC of Danbury, CT, d/b/a Western Connecticut Orthopedic Surgical Center, LLC is hereby licensed to maintain and operate an Out-Patient Surgical Facility.

Western Connecticut Orthopedic Surgical Center, LLC is located at 226 White Street, Danbury, CT 06810.

This license expires **September 30, 2018** and may be revoked for cause at any time.

~~Dated at Hartford, Connecticut, October 1, 2016.~~ **RENEWAL**



Raul Pino, MD, MPH
Commissioner

EXHIBIT B

Diane Heelan

6 Cherokee Drive
Brookfield, CT 06804
(203) 740-2678
heelan4@aol.com

OBJECTIVE : To secure a Circulating Nurse position in a Surgical Center setting utilizing my prior Circulating Nurse experience

EDUCATION

Western Connecticut State University
Danbury, CT
Bachelor of Science in Nursing Graduated May, 2008
GPA of 3.58
Sigma Theta Tau

Porter & Chester Institute
Watertown, CT
Executive Secretarial program 1987-1988

Bethel High School
Bethel, CT
Diploma 1983-1987

LICENSE

State of Connecticut RN license
July, 2008 to Present

CERTIFICATION

American Heart Association
CPR and AED Certified
September, 2009 to Present
Trauma Nursing Core Certification
June, 2014

WORK EXPERIENCE

Danbury Hospital
Danbury, CT
Circulating Nurse April 2011 to Present
Care of patients in the operating room setting. Interviewing patients and performing necessary preoperative skin preparation. Reviewing patient chart to ensure all pertinent paperwork is present and accurate including Consent for Surgery, Health and Physical, Plan of Care, and if applicable, confirming laterality. Maintaining patient safety and advocating in the patient's best interest preoperatively, intraoperatively, and through transfer to PACU. Monitoring operating room environment and maintaining sterile field, obtaining medications needed by surgeon intraoperatively, sterilely prepping patient prior to draping, documenting intraoperative information, performing team time out prior to procedure. Circulating through all specialty areas in the operating room with a specialty in Vascular Surgery

Danbury Hospital
Danbury CT
Registered Nurse April, 2009 to April, 2011

Care of four to seven patients on a busy Medical-Surgical/Stroke Unit Physical and Neurological Assessment of patients notifying physician of clinical changes, admissions, discharges IV starts educating patient/families on health care needs and conditions, maintaining patient charts and confidential files, medication administration, and advocating in the best interest of the patient

New Milford Hospital
New Milford, CT
Registered Nurse June 2008 to March 2009
Care of four to seven patients on a busy Medical-Surgical/Telemetry Unit Physical and Neurological Assessment of patients notifying physician of clinical changes, admissions, discharges, IV starts educating patient/families on health care needs and conditions, maintaining patient charts and confidential files, medication administration, and advocating in the best interest of the patient

Certified Nurse s Aide
September 2007 to May, 2008
Assist nurse in patient care, assist patients with activities of daily living, change bed linens, transport specimens to laboratory, discharge of patients, monitor patients intake and output, vital signs, EKG, glucoscans, and communicating with professional members of the healthcare team to enhance patient care

Waterbury Hospital Waterbury CT
Student Nurse Intern June, 2007 to August, 2007
Floating student nurse shadowing program. Followed a nurse preceptor and assisted in providing patient care, writing nursing notes pulling patient medications and giving end of shift report

Additional employment history available upon request.

References available upon request

CURRICULUM VITAE

JOHN G. LUNT

Address:

Office: Hand Center of Western Connecticut
35 Tamarack Ave
Danbury, Connecticut 06811
Phone: (203) 792-4263
Facsimile: (203) 792-1365

Home: 5 Logans Way
Danbury, Connecticut 06811
Phone: (203) 797-9374
Email: jlunt@hand-center.com

Birth date:

June 21, 1957, New York, New York

Work Experience:

Aug/93 – present	Partner in Hand Surgery at the Hand Center of Western Connecticut, Danbury, CT.

Education:

Aug/92 - Aug/93 Robert E. Carroll Fellowship in Hand Surgery, Columbia/ Presbyterian Medical Center, New York, New York.

Jul/88 - Jul/92 Residency in Orthopedic Surgery, Long Island Jewish Medical Center, New Hyde Park, New York.

Jul/86 - Jul/88 Residency and Internship in General Surgery, St. Luke's/Roosevelt Hospital Center, New York, New York.

Sep/82 - May/86 Columbia University College of Physicians and Surgeons, New York, New York: Degree: M.D.

Sep/81 - May/82 University of Wyoming, post-baccalaureate studies, Department of Pharmacology, Laramie, Wyoming.

Sep/76 - Dec/80 University of Colorado, Department of Molecular, Cellular and Developmental Biology, Boulder, Colorado; Degree: B.A.

Jan/79 - May/79 Universite de Savoie,
intensive studies in French
language and culture.
Chambery, France.

Additional Training:

Advanced Techniques in Microsurgery; Department of Orthopedic Surgery, Columbia/ Presbyterian Medical Center, New York, New York, 1995.

Basic and Advanced Course in Microsurgery, Department of Orthopedic Surgery, Columbia/Presbyterian Medical Center. New York, New York, 1993.

Continuing Education:

Self-Assessment Examination, American Society for Surgery of the Hand. Rosemont, Illinois, 2004, 2005, 2006, 2007, 2008.

Advanced Techniques in Elbow Surgery; American Society for Surgery of the Hand, Rosemont, Illinois, April 13-14, 2007.

The Wrist: Open and Arthroscopic Techniques; American Society for Surgery of the Hand, Rosemont, Illinois, August 7-8, 2004.

Physician's Recognition Award for Continuing Medical Education, American Medical Association, September 2000 – September 2003.

American Society for Surgery of the Hand, Annual Meetings: Phoenix, Arizona, 1992; Kansas City, Missouri, 1993; Cincinnati, Ohio, 1994; Denver, Colorado, 1997; Boston, Massachusetts, 1999; Baltimore, Maryland, 2001; New York, New York, 2005; Seattle, Washington, 2007.

American Academy of Orthopedic Surgeons, Annual Meetings: Washington D.C., 1992; San Francisco, California, 1993; New Orleans, Louisiana, 1994; Atlanta, Georgia, 1996; Orlando, Florida, 2000.

New England Hand Society, Annual Meetings, Sturbridge, Massachusetts: 1993, 1994, 1995, 1996, 1997, 1998, 1999, 2001,2002, 2003, 2004, 2006, 2007.

"The Shoulder in 2001: an Open and Arthroscopic Surgical Odyssey", American Academy of Orthopaedic Surgeons, Rosemont, Illinois, July 13-15, 2001.

"The Master's Experience" Shoulder Course, Arthroscopy Association of North America, Rosemont, Illinois. October 14-15, 1995.

Regional Review Course in Hand Surgery, New York, New York, 1995.

Pediatric Orthopaedics - An Overview; Long Island Jewish Medical Center, New Hyde Park, New York, 1991.

The Upper Extremity in Sports Medicine; University of New Mexico, Santa Fe, New Mexico, 1991.

Comprehensive Course in Basic Sciences in Orthopedics; Harvard University, Newport, Rhode Island, 1990.

Course in Prosthetics and Orthotics; New York University, New York, New York, 1989.

Honors:

Orthopedic Surgery, Columbia University
College of Physicians and Surgeons, 1986.

Military:

Major, U.S. Army Reserve, Medical Corps;
commissioned, June 14, 1989.
Resigned, June 30, 1998.

Professional Memberships:

American Medical Association
Connecticut Medical Society
Fairfield County Medical Society
American Academy of Orthopedic Surgeons
American Society for Surgery of the Hand
New England Hand Society

Certification and Licensure:

Certificate of Added Qualification, Hand Surgery,
August 19, 1996; recertified 2006; expires 2015
Board Certified, Orthopedic Surgery,
July 13, 1995; recertified 2006; expires 2015
Connecticut Medical License #032897

Appointments:

Attending, Department of Surgery, Division of Orthopedics and Hand Surgery, Danbury Hospital, Danbury, Connecticut.

Research:

Metacarpophalangeal Joint Arthrodesis for Recurring Thumb Carpometacarpal Joint Pain Following Trapezial Hemiresection and Ligament Reconstruction /Tendon Interposition, Danbury, CT, 2004.

Long-term follow-up of the Swanson Titanium Implant for Trapeziometacarpal osteoarthritis. Danbury, Connecticut, 1999.

Tenosynovectomy and its Effect on the Operative Outcome of Carpal Tunnel Release. Columbia/Presbyterian Medical Center, New York, New York, 1993.

Spinal Anomalies in Children with Anorectal Malformations. Long Island Jewish Medical Center, New Hyde Park, New York, 1992.

Teratogenic effects of haloperidol and apomorphine in mice. Department of Pharmacology, University of Wyoming, Laramie, Wyoming, 1982.

Ultrastructural studies of rat urothelium by HVEM (high voltage electron microscopy). Department of Molecular, Cellular and Developmental Biology, University of Colorado, Boulder, Colorado, 1980.

Publications:

Lunt, J.G., Brown, L.G.: A 5 Year Analysis of 541 Endoscopic Carpal Tunnel Releases. Manuscript submitted.

Strauch, R.J., Rosenwasser, M.P. Lunt, J.G.: Metacarpal Shaft Fractures: The Effect of Shortening on the Extensor Tendon Mechanism. J Hand Surgery, 1998;23A:519-23.

Lunt, J.G.: Multiple Thumb Injuries in a Skier: Case Report and Review of the Literature. Contemp. Orth, 1992; 24:4:469

Lunt, J.G., McIntyre, L.S., Roofeh, J.: Bilateral Luxatio Erecta: Case Report and Review of the Literature. Manuscript in preparation.

Silveri, C., Lunt, J.G., Friedman, A.: Acute Hand Compartment Syndrome. Orthopedics, 1997;20:11:1089-91.

Presentations:

Lunt, JG, Brown, LG, Nelson, S, Carpenter, M, Landau, M: Long-term Follow-up of Metacarpophalangeal Arthrodesis for Recurring Pain Following Thumb Basal Joint Arthroplasty. Presented to the New England Hand Society, Sturbridge, Mass., December, 2004.

Lunt, JG, Brown, LG, Elis, S, Green, J: Arthrodesis of the Thumb Metacarpophalangeal Joint for Recurring Pain Following Basal Joint Arthroplasty. Presented to the New England Hand Society, Sturbridge, Mass. , December, 2002.

Brown, LG, Lunt, JG, Elis, S, Green, J: Use of the "Spider Plate" for Partial Wrist Arthrodesis. Presented to the New England Hand Society, Sturbridge, Mass., December, 2002.

Lunt, JG: Carpal Tunnel Syndrome: Diagnosis of the New Millenium? Presented to several civic groups, New Milford, Conn., Danbury, Conn., Brewster, New York, and insurance carriers.

Lunt, JG: Emergency Management of Common Upper Extremity Problems. Presented to the Department of Emergency Medicine, Educational Meeting, April 2000.

Lunt, JG: Colles Fractures: An Update. Presented at the Department of Surgery Educational Meeting, May 2000.

Lunt, J.G., Brown, L.B.: Long-term Results of the Swanson Titanium Implant for Trapeziometacarpal Osteoarthritis. Poster presentation at the Annual Meeting for The American Society for Surgery of the Hand, Boston, Mass. September 1999. Also presented at the Annual Meeting of the New England Hand Society, Sturbridge, Mass., December, 1999.

Lunt, J.G., Brawley, G., Gormley, K.: Cumulative Trauma Disorders and Carpal Tunnel Syndrome. Presented for Danbury Hospital's "Town Meeting", Danbury, Conn., December 8, 1998.

Lunt, J.G.: Shoulder Surgery: an Overview. Presented for physical therapists at "Symposium on the Shoulder", East Windsor, Conn., October 24, 1998.

Lunt, J.G., Brown, L.G.: The Arthroscopic Treatment of Triangular Fibrocartilage Complex Tears. Presented at the 25th Annual Meeting of the New England Hand Society, Sturbridge, Mass., December 5, 1997.

Lunt, J.G., Brown, L.G.: The Demographics of Carpal Tunnel Syndrome. Presented at the 24th Annual Meeting of the New England Hand Society, Sturbridge, Mass., December 6, 1996.

Lunt, J.G., Brown, L.G.: A Five Year Analysis of 541 Endoscopic Carpal Tunnel Releases.
Presented at the 11th Annual Joseph L. Belsky Research Day, Danbury Hospital, Danbury, Conn., May 8, 1996.
Presented at the 1997 Annual Meeting of the Arthroscopy Association of North America, San Diego, Calif., April 25, 1997.

Lunt, J.G., Brown, L.G.: Radial Tunnel Syndrome-an Overview. Presented at the Annual Meeting of the New England Hand Society, Sturbridge, Mass., December 9, 1995.

Letko, L.J., Lunt, J.G., Raggio, C.L., Pena, A: The Association of Spinal Anomalies with Congenital Anorectal Malformations. Presented at the 62nd Annual Meeting of the American Academy of Pediatrics, Orlando, Florida, February 17, 1995.

Lunt, J.G., Brown, L.G.: Results Following Scaphotrapezial-trapezoid Fusions. Presented at the Annual Meeting of the New England Hand Society, Sturbridge, Mass., December 2, 1993.

Lunt, J.G., Strauch, R.J., Rosenwasser, M.P.: Shortening in Metacarpal Shaft Fractures - What is Acceptable?
Presented at the American Society for Surgery of the Hand, Residents and Fellows Conference, Cincinnati, Ohio, October 25, 1994.
Poster Exhibit, Annual Meeting of the American Society for Surgery of the Hand, Cincinnati, Ohio, October 26, 1994.
Presented at the New York Hand Society, New York, New York, May 11, 1993.

Lunt, J.G., discusser, American Society for Surgery of the Hand, Residents and Fellows Conference, Kansas City, Missouri, September 29, 1993.

Lab Instructor, Summer Institute - Intensive Surgical Skills; American Academy of Orthopedic Surgeons, New York, New York, September, 1993.

Corso, S., Lunt, J.G., Laskin, R.S.: The Block Method for Determining the Level of Tibial Bone Resection in Total Knee Replacement. Presented at the 59th Annual Meeting of the American Academy of Orthopaedic Surgeons, Washington, D.C., February 20, 1992.

Activities:

Continuing education presentations for local health care groups (e.g., emergency room staff, nursing staff, and primary care physicians) on topics concerning the upper extremity, Danbury, Connecticut

Orthopaedic Clinic, Danbury Hospital,
Danbury, Connecticut

Writer/Editor, Quarterly Newsletter, "Reach Out"; containing pertinent topics on the upper extremity

Danbury Hand Club; Founder/Director as a forum for discussion on current topics affecting the upper extremity for the regional hand surgeons and therapists.

Skills and Interests:

Advanced Cardiac Life Support, fluency in French,
ranching, skiing, photography, mountaineering, sailing, cultural arts

SAPTARSHI SINHA

(434) 242-3636 • sinha.saptarshi@gmail.com

SUMMARY

Profit and loss responsibility of running ambulatory surgery care centers/ surgical hospitals with ~$50 M in revenue. Prior to P&L role, spent ~12 years as a strategy professional in consulting focused on corporate and commercial strategies especially new disruptive business models to drive new growth in areas such as digital. Extensively worked and partnered with biopharmaceuticals, healthcare payers, consumer products, and non-profit clients

- Vast experience in Healthcare and Digital
- Experience in growth strategy, business development, new commercial model innovation, strategic and business planning, commercial strategy, launch strategy, enterprise risk management, and process re-design

EDUCATION

Darden Graduate School of Business Administration, University of Virginia — **Charlottesville, VA**
Master of Business Administration, May 2008

- Recipient of Tayloe Murphy Scholarship for overall first year performance
- Second year career coach and UVA undergraduate mentor

Hans Raj College, Delhi University — **Delhi, India**
Bachelor of Arts in Economics, May 2003 (Graduated with honors)

- Awarded college color for best sportsman in Class of 2003
- Awarded best speaker in national level economics society debate (2002)

EXPERIENCE

Surgical Care Affiliates (SCAI) — **Stamford, CT**
Regional Vice President — ***Jul 2016 – present***
Responsible for New York, Northern New Jersey and Pittsburgh Area

- Full P&L responsibility in running and growing surgery centers in the region. Responsibilities include working on developing strategy for the region, day-to-day operations, physician management and recruiting, managed care contracting, growing and identifying new service lines and M&A/ integration of surgery centers

The Boston Consulting Group — **Summit, NJ**
Principal — ***Feb 2014 – Jul 2016***
Aligned to Healthcare Practice – Building the Digital Health offering

- Led development of a new digital health business within chronic care for a large medical technology company trying to drive new growth. Currently, in incubation phase to launch the minimal viable solution with two customer groups. Acting GM leading all business development, partnerships, strategy, and commercial initiatives
- Developed digital health product vision including exact features, user stories, solution architecture, business case and implementation plan within mental health. Possible upside for the client would be 10X of investment

Booz & Co. (Currently Strategy&) and Booz Digital (Strategy& Digital) — **New York, NY**
Senior Associate (Engagement Manager)/ Senior Product Manager — ***Feb 2010 – Feb 2014***
Aligned to Healthcare Practice and Commercial Strategy (including Digital)
(Promoted from Associate to Senior Associate in a year and eight months)

- Created a new digital customer engagement platform for a metabolic franchise to improve customer experience and possibly reduce marketing budget by 10% over 5 years. Managed $5M start-up budget with 12 project team members.

- Identified a novel way to allow direct online access to a drug product to reduce counterfeits in the market and reduce ~50% drop offs between prescription and buying in the pharmacy
- Developed and recommended a new capability system for a $6 B metabolic business unit for a large global pharma company to move from one product to a six product franchise. Articulated their new strategic intent, vision, way-to-play, value proposition, as well as the brand architecture across their new portfolio of products within 10 weeks
- Created an expansion strategy in to key emerging markets (South Korea, Mexico, Brazil, India, and China) for a $1B novel drug delivery system and mobilized the client market entry
- Developed a 5-year growth strategy for one of the largest contract manufacturing and development organizations. Assessed acquisition targets for expansion into select capabilities and identified areas where cash can be generated in the business to pay for 50% of the acquisition cost
- Co-authored white paper on Digital: "A way for Pharma Companies to be more relevant in Healthcare", one of the most downloaded papers from Booz&Co. in 2013 with request for citation from Universities

ZS Associates **Princeton, NJ**
Consultant ***July 2008 – Jan 2010***

- Reduced promotional budget (~$2B) by 20% by developing a new strategy for allocating promotional assets for a large-sized pharmaceutical company based on market dynamics and industry benchmarks across therapeutic areas such as neuroscience, diabetes, oncology, cardiology, osteoporosis, and erectile deficiency syndrome
- Created a new strategy to promote products for a large-sized pharmaceutical company based on the sales response of managed care organization tier status reducing sales budget by ~20%
- Developed a launch incentive compensation plan for the sales force of a mid-size pharmaceutical company for a drug launch resulting in a blockbuster (~$1B) launch in metabolic disease area
- Mentor for the office summer program and selected as the Princeton PowerPoint champion for a ZS way branding exercise

A.T. Kearney, Inc. **New York, NY and Atlanta, GA**
Summer Associate ***Summer 2007***

- Developed and implemented a distribution strategy that reduced cost by 50% by outsourcing complete supply chain to a 3rd party logistics provider and collapsing the network as part of a turnaround strategy for a renowned US home fashions manufacturer and marketer
- Developed a strategy for a Third Generation Wireless Technology provider to increase contract profitability by 15% on future contracts

Ernst and Young **Delhi, India**
Associate Consultant – Risk and Business Solutions Practice ***June 2003 – June 2006***
Focused on assignments involving Enterprise Risk Management, Process Consulting and Forensic Investigation
Top 5% *of the Analyst class, moved from Business Analyst to Associate Consultant in less than 2 years*

- Acted as a project manager for a risk management project to create an enterprise-wide framework for India's largest automobile manufacturing company with $3.3B in revenue. Presented findings to the Board along with the Partner on the project
- Led team of three business analysts to review procurement process at leading UK non-profit educational institution and found more than $1M of discrepancies. Facilitated client management that resulted in increased client billing by 300% annually
- Collaborated with top management to develop a virtual sales distribution model for a Japanese air-conditioning company in India that resulted in cost reduction of annual fixed costs of $5M
- Drafted parameters for a long-term partnership strategy in India and Sierra Leone for world's second largest private non-profit organization. Worked independently with Country Directors and managed projects involving sanitation, rural development, and trade worth $50 M

PERSONAL

- US Permanent Resident

EXHIBIT C

WCOSC

WESTERN CONNECTICUT ORTHOPEDIC SURGICAL CENTER

To: Connecticut Office of Health Care Access

From: Dr. Joseph DiGiovanni, Western Connecticut Orthopedic Surgical Center

On behalf of the Western Connecticut Orthopedic Surgical Center partnership, I would like to express my support for our decision to partner with Surgical Care Affiliates (SCA). The decision was made after carefully evaluating other potential partners and concluding that in SCA we found a like-minded organization that has a similar approach to prioritizing quality patient care and improving the Healthcare system.

The below points capture our rationale to partner with SCA:

- **Prioritization of Quality**: SCA's quality metrics across its portfolio are on par with the historical marks that we have at WCOSC. Our metrics exceed the local and national marks for CMS tracked quality metrics at both hospitals and ASCs.
- **In Network Strategy:** We plan to leverage SCA's national payer relationships as we alter our facility strategy to a primarily in network approach to care. This will increase access to care for our patients and reduce their overall payment obligations.
- **Supply chain purchasing power:** SCA has the purchasing power of 200+ surgery centers. We expect a reduction to our overall supply costs through their supply chain platform.
- **Physician recruiting:** We expect to have new opportunities within the market that arise because of SCA's new business development team.

Please feel free to reach out to me with any additional questions concerning our partnership.

Kind regards,

Joseph DiGiovanni, MD

226 White Street Danbury, Connecticut (203) 791-9557

EXHIBIT D

Membership Interest Purchase Agreement

EXECUTION VERSION

MEMBERSHIP INTEREST PURCHASE AGREEMENT

AMONG

SCA-WESTERN CONNECTICUT, LLC

AND

WESTERN CONNECTICUT ORTHOPEDIC SURGICAL CENTER, LLC

AND

CERTAIN MEMBERS OF WESTERN CONNECTICUT ORTHOPEDIC SURGICAL CENTER, LLC

AND

MERRITT HEALTHCARE HOLDINGS, LLC

AND

SURGICAL CARE AFFILIATES, LLC

May 1, 2017

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GLOSSARY OF DEFINED TERMS

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GLOSSARY OF DEFINED TERMS

MEMBERSHIP INTEREST PURCHASE AGREEMENT

THIS MEMBERSHIP INTEREST PURCHASE AGREEMENT (this "**Agreement**") is made and entered into as of May 1, 2017 (the "**Effective Date**"), by and among **SCA-WESTERN CONNECTICUT, LLC**, a Delaware limited liability company ("**Buyer**"), **WESTERN CONNECTICUT ORTHOPEDIC SURGICAL CENTER, LLC**, a Connecticut limited liability company (the "**Company**"), and those persons identified as "**Sellers**" on Exhibit A attached hereto (collectively, the "**Sellers**," and each individually a "**Seller**"), **MERRITT HEALTHCARE HOLDINGS, LLC**, a Delaware limited liability company ("**Merritt**"), and **SURGICAL CARE AFFILIATES, LLC**, a Delaware limited liability company ("**SCA**").

RECITALS

WHEREAS, the Company operates an ambulatory surgery center known as Western Connecticut Orthopedic Surgical Center, located at 226 White Street, Danbury, CT 06810 (the "**Center**");

WHEREAS, the Sellers collectively own all of the limited liability company membership interests in the Company;

WHEREAS, the Sellers desire to transfer and sell to Buyer, and Buyer desires to purchase from the Sellers, an aggregate sixty percent (60%) membership interest in the Company, upon and subject to the terms and conditions of this Agreement;

WHEREAS, the Buyer also desires to purchase the right to manage the Center pursuant to the new management agreement referenced herein (the "**Management Rights**"); and

WHEREAS, Merritt is a party to this Agreement solely for the purposes of agreeing to the covenants in Section 10.2 through 10.6 and Section 13.17; and

WHEREAS, SCA is a party to this Agreement solely for the purposes of agreeing to the covenants in Sections 13.18.

NOW THEREFORE, in consideration of the premises and the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the parties, the parties agree as follows:

ARTICLE I
PURCHASE AND SALE

1.1 **Sale and Transfer of the Transferred Interests and Management Rights.** Upon the terms and subject to the conditions hereof, each Seller shall transfer, sell, convey and deliver to Buyer, free and clear of all liens, pledges, security interests, rights of first refusal, options, restrictions, encumbrances and liabilities of any kind whatsoever, the percentage of membership interest in the Company set forth on Exhibit A attached hereto, including, without limitation, all governance and financial rights associated with such membership interest (collectively, the "**Transferred Interests**," which shall be comprised of the Phase I Transferred Interests and the Phase II Transferred Interests, in each case, as hereinafter defined), which Transferred Interests

collectively represent sixty percent (60%) of the profits, losses and voting rights of the Company, and Buyer shall purchase and accept such Transferred Interests. The transactions contemplated by this Agreement shall be consummated in two "phases" of closing as described below:

(a) Phase I. In the first phase of the closing of the transactions contemplated by this Agreement (the "**Phase I Closing**"), Buyer shall acquire an aggregate forty-nine percent (49%) membership interest in the Company (the "**Phase I Transferred Interests**") from the Sellers, including (i) all of the outstanding membership interests in the Company held by Merritt Healthcare Holdings Bridgeport, LLC, a Delaware limited liability company ("**MHH-Danbury**"), and (ii) the balance of the Phase I Transferred Interests from the Sellers other than MHH-Danbury (collectively the "**Physician Sellers**"), all as described more specifically on Exhibit A. Also as of the Phase I Closing, Buyer shall purchase the Management Rights from the Company.

(b) Phase II. In the second phase of the closing of the transactions contemplated by this Agreement (the "**Phase II Closing**"), Buyer shall acquire the remaining eleven percent (11%) membership interest in the Company comprising the Transferred Interests (the "**Phase II Transferred Interests**") from the Physician Sellers as described more specifically on Exhibit A. The parties acknowledge and agree that certificate of need approval (the "**CON Approval**") from the Connecticut Department of Public Health Office of Health Care Access ("**OHCA**") is a condition precedent to the Phase II Closing.

1.2 **Sellers' Committee**. Each Seller hereby irrevocably authorizes and appoints a committee consisting of those three (3) individuals whose names, physical addresses and email addresses are forth on Exhibit B (each a "**Sellers' Committee Member**" and collectively the "**Sellers' Committee**") to act as his, her or its agent and to serve as the Sellers' representative for purposes of carrying out the administrative obligations and other functions of such position on behalf of the Sellers as set forth in this Agreement. Without limiting the generality of the foregoing, the Sellers' Committee will be authorized to: (a) in connection with the Phase I Closing and the Phase II Closing, execute and receive all documents, instruments, certificates, statements and agreements on behalf of and in the name of the Sellers necessary to effectuate the Phase I Closing and the Phase II Closing and consummate the transactions contemplated by this Agreement; (b) take all actions on behalf of the Sellers in connection with the calculation and settlement of Net Working Capital under Section 1.4, (c) take all actions on behalf of the Sellers in connection with any claims made under Article XII to defend or settle such claims, and to make payments in respect of such claims; (d) execute and deliver, should it elect to do so in its sole discretion, on behalf of the Sellers, any amendment to this Agreement so long as such amendment will apply consistently and in a non-discriminatory manner to all Sellers; and (e) take all other actions to be taken by or on behalf of the Sellers and exercise any and all rights which the Sellers are permitted or required to do or exercise under this Agreement. Each Seller acknowledges that such Seller has had the opportunity to review this Agreement and all agreements ancillary hereto related to the transactions contemplated hereby, and there shall be no presumption against any Seller on the ground that any such Seller was responsible for or engaged in the negotiation or drafting of this Agreement or any of such ancillary agreements or any part thereof, and any rule or principle of law, or any legal decision, that would require or permit any Seller to incur greater liability than any other Seller, or give rise to any claim by any Seller against any other Seller, related to negotiation and drafting of any such agreements has no application and is expressly waived by each of Sellers. The Sellers' Committee shall act either (i) by majority vote of the members of the Sellers' Committee, which

may take place at a meeting with notice, either in-person or by means of telecommunications equipment, or (ii) by majority written consent in lieu of a meeting by the Sellers' Committee. No Sellers' Committee Member shall have authority to act on behalf of the Sellers' Committee except in accordance with this Section 1.2. If any Sellers' Committee Member ceases to serve in such capacity for any reason, such Person shall designate his or her successor, which successor shall be subject to approval by the other Sellers' Committee Members. Failing such designation and approval within ten (10) business days after the Sellers' Committee Member has ceased to serve, the other Sellers' Committee Members shall appoint a successor Sellers' Committee Member. Each Seller (including the Physician Sellers) hereby releases the Sellers' Committee from any liability in connection with the performance of the actions contemplated to be performed by the Sellers' Committee under this Agreement. The Sellers' Committee will not be liable to any Seller for any action taken by it in good faith pursuant to this Agreement, and the Sellers will indemnify the Sellers' Committee (severally, on a pro rata basis, based on each Seller's Pro Rata Share (as set forth in Exhibit A)) from any Losses arising out of its serving as the Sellers' Committee hereunder (the "**Representative Expenses**"). Each Sellers' Committee Member is serving in that capacity solely for purposes of administrative convenience, and is not personally liable in such capacity for any of the obligations of the Sellers hereunder, and Buyer agrees that it will not look to the personal assets of the Sellers' Committee Members, acting in such capacity, for the satisfaction of any obligations to be performed by the Sellers hereunder. By executing this Agreement in its capacity as a Seller, each Sellers' Committee Member hereby agrees to act as a Sellers' Committee Member and to carry out the duties of such position as set forth herein.

1.3 **Purchase Price.**

(a) Purchase Price.

(i) Upon the terms and subject to the conditions hereof, Buyer shall pay to the Sellers, in full consideration for the Transferred Interests, an aggregate amount equal to Twenty-Eight Million Seventy-Three Thousand One Hundred Forty-Six Dollars ($28,073,146) after taking into account the applicable principal balance of the outstanding long-term debt of the Company (i.e., any capital leases and other long-term debt not included in the calculation of Working Capital under Section 1.4) (the "**Long-Term Debt**") as of the Phase I Closing (the "**Debt Reduction Amount**") (such net amount being referred to herein as the "**Purchase Price**"). The Purchase Price shall be subject to adjustment as set forth in Section 1.4. The Purchase Price shall be allocated $26,873,146 to the Transferred Interests and $1,200,000 to the Management Rights.

(b) Payment of the Purchase Price.

(i) Buyer shall pay Twenty-Three Million One Hundred Forty-Six Thousand Four Hundred Three Dollars ($23,146,403) (the "**Phase I Purchase Price**") to the Sellers at the Phase I Closing in immediately available funds by wire transfer to accounts designated by the Sellers' Committee. The Phase I Purchase Price is inclusive of the full allocation for the Management Rights. The amount of the Phase I Purchase Price allocated to the Phase I Transferred Interests shall be apportioned among the Sellers in accordance with each Seller's Phase I Pro Rata Share (as set forth on Exhibit A), subject to any adjustments as contemplated by Section 1.4(c). The amount of the Phase I Purchase Price allocated to the Management Rights

shall be apportioned among the Sellers, pro rata, in accordance with each Seller's Pre-Closing Ownership Interest (as set forth on Exhibit A).

(ii) Buyer shall pay Four Million Nine Hundred Twenty-Six Thousand Seven Hundred Forty-Three Dollars ($4,926,743), without taking into consideration any adjustment to the Purchase Price under Section 1.4 (the "**Phase II Purchase Price**") to the Physician Sellers at the Phase II Closing in immediately available funds by wire transfer to accounts designated by the Sellers' Committee. The Phase II Purchase Price shall be apportioned among the Physician Sellers in accordance with each such Physician Seller's Phase II Pro Rata Share (as set forth on Exhibit A), subject to any adjustments as contemplated by Section 1.4(c).

(c) The Sellers authorize the Sellers' Committee to designate a portion of the Purchase Price to pay certain transaction costs of the Sellers at the Phase I Closing and/or the Phase II Closing, as applicable, and prior to disbursing the Sellers' respective shares of the Purchase Price to the Sellers, including, but not limited to, the purchase of a "tail policy" in connection with the Phase I Closing as required by Section 6.5, the payment of other Transaction Expenses (defined below) of the Sellers (e.g., attorneys' fees), and any other amounts required to be paid by or on behalf of the Sellers at or prior to the Phase I Closing and/or the Phase II Closing, as applicable, as set forth in this Agreement.

1.4 **Working Capital Adjustment**.

(a) The Purchase Price assumes that the Company will have Working Capital as of the Effective Date within a range of between $970,000 and $1,190,000 (the "**Required Working Capital Range**"), and is subject to adjustment if the Actual Working Capital is outside of the Required Working Capital Range, as calculated and finally determined in accordance with this Section 1.4.

(b) For purposes of this Agreement, "**Working Capital**" means an amount equal to (a) the sum of the current assets of the Company determined in accordance with generally accepted accounting principles, consistently applied ("GAAP"), including, without limitation, the following items: (i) cash, (ii) net accounts receivable and (iii) prepaid expenses, minus (b) the sum of the current liabilities of the Company determined in accordance with GAAP, including, without limitation, the following items: (i) accrued employee benefits (e.g., paid time off and related taxes, etc.), (ii) accounts payable and (iii) accrued expenses. For the sake of clarification, the parties acknowledge and agree that the Company's inventories, supplies and current portion of Long-Term Debt shall not be included in the calculation of Working Capital.

(c) The "**Working Capital Adjustment Amount**" (which may be a positive or negative number) will be equal to the amount by which the Actual Working Capital as of the Effective Date exceeds or is less than the Required Working Capital Range. If the Actual Working Capital as of the Effective Date is within the Required Working Capital Range, the Working Capital Adjustment shall be equal to zero. If the Actual Working Capital as of the Effective Date is greater than $1,190,000, the Working Capital Adjustment Amount shall be determined by subtracting $1,190,000 from the Actual Working Capital and multiplying such difference by sixty percent (60%) (such product, the "**Working Capital Surplus**"). The Working Capital Surplus shall be apportioned among the Sellers in accordance with each Seller's Pro Rata Share (expressed

as a percentage and as set forth on Exhibit A), and Buyer shall pay the Working Capital Surplus to the Sellers within three (3) business days after the calculation of the Actual Working Capital becomes binding and conclusive on the parties pursuant to Section 1.4(d) by wire transfer of immediately available funds to accounts specified by the Sellers' Committee. If the Actual Working Capital as of the Effective Date is less than $970,000, the Working Capital Adjustment Amount shall be determined by subtracting the Actual Working Capital from $970,000, and multiplying such difference by sixty percent (60%) (such product, the "**Working Capital Deficit**"). The Working Capital Deficit shall be apportioned among the Sellers in accordance with each Seller's Pro Rata Share (expressed as a percentage and as set forth on Exhibit A), and the Sellers, severally but not jointly, shall pay the Working Capital Deficit to Buyer within three (3) business days after the calculation of the Actual Working Capital becomes binding and conclusive on the parties pursuant to Section 1.4(d) by wire transfer of immediately available funds to an account specified by Buyer.

(d) Working Capital Adjustment Procedure.

(i) Buyer shall determine the Working Capital of the Company as of the Effective Date (the "**Actual Working Capital**"). Buyer shall deliver its determination of the Actual Working Capital to the Sellers' Committee within one hundred eighty (180) days after the Effective Date.

(ii) If, within thirty (30) days after delivery of the Actual Working Capital calculation, the Sellers' Committee has not given Buyer written notice of the Sellers' Committee's objection as to the Actual Working Capital calculation (which notice shall state the basis of such objection), then the Actual Working Capital calculated by Buyer shall be binding and conclusive on the parties and shall be used in computing the Working Capital Adjustment Amount.

(iii) If the Sellers' Committee timely provides Buyer with a written notice of objection pursuant to Section 1.4(d)(ii), and if Buyer and the Sellers' Committee fail to resolve the issues stated in such objection with respect to the calculation of the Actual Working Capital within thirty (30) days of Buyer's receipt of the Sellers' Committee's objection notice, the Sellers' Committee and Buyer shall submit the issues remaining in dispute to an independent certified public accounting firm as the parties may then mutually agree upon in writing (the "**Independent Accountants**"). If the determination of Actual Working Capital is submitted to the Independent Accountants for resolution, (i) the Sellers' Committee and Buyer shall furnish, or cause to be furnished, to the Independent Accountants such work papers and other documents and information relating to the disputed issues as the Independent Accountants may request and are reasonably available to that party or its agents, and each shall be afforded the opportunity to present to the Independent Accountants any material relating to the disputed issues and to discuss the issues with the Independent Accountants; (ii) the determination by the Independent Accountants, as set forth in a written notice to be delivered to the Sellers' Committee and Buyer within sixty (60) days of the submission of the dispute to the Independent Accountants, shall be final, binding and conclusive on the parties and shall be used in the calculation of the Actual Working Capital; and (iii) the Sellers (collectively) and Buyer will each bear fifty percent (50%) of the fees and costs of the Independent Accountants for such determination.

(e) Buyer and each Physician Seller hereby acknowledges and agrees that if Buyer or a Physician Seller fails to pay its undisputed allocable portion of the Working Capital Adjustment Amount due (if any) under Section 1.4(c) or Section 1.4(f), the Company (following ten (10) business days' written notice to the applicable party (or parties)) shall (i) offset future cash distributions from the Company otherwise payable to the party or parties (other than "Tax Distributions" other than "**Tax Distributions**", defined as the amount distributed by the Company to the Members to permit such Members to pay their estimated federal and state income tax obligations related to Company income),, and (ii) pay the amount so offset to the party or parties entitled to receive the Working Capital Adjustment Amount.

(f) If the Agreement is terminated prior to the Phase II Closing in accordance with Section 11.3, nineteen percent (19%) of any previously paid Working Capital Surplus or Working Capital Deficit shall be repaid within thirty (30) days of such termination in immediately available funds by wire transfer to either accounts designated by the Sellers' Committee or to an account specified by the Buyer, as applicable. Sellers acknowledge and agree that in such event, the Working Capital Adjustment Amount, whether paid to or paid by the Sellers under subsection 1.4(c) above, should have been shared and allocated among the Sellers in accordance with each Seller's Phase I Pro Rata Share. Accordingly, any return or repayment of Working Capital Surplus or Working Capital Deficit under this subsection 1.4(f) shall be allocated and shared by Sellers in order to give effect to the foregoing understanding.

(g) Any payments made pursuant to this Section 1.4 shall be treated as an adjustment to the Purchase Price for tax purposes, unless otherwise required by law.

ARTICLE II
PHASE I AND PHASE II CLOSINGS

2.1 **Phase I Closing**. The Phase I Closing shall take place on May 3, 2017, or at such other time as shall be agreed upon by all the parties hereto in writing (the "**Phase I Closing Date**"). For the purposes of this Agreement, the Phase I Closing shall be effective as of 12:01 a.m. on the Effective Date.

2.2 **Deliverables at the Phase I Closing.**

(a) Sellers and the Company. At the Phase I Closing, the Sellers or the Company, as applicable, shall execute and/or deliver or cause to be delivered to Buyer the following:

(i) Instruments of transfer and assignment of Phase I Transferred Interests, including certificates evidencing such Phase I Transferred Interests, if any, which at the Phase I Closing shall be effective to convey to Buyer all of the Sellers' rights, title and interest in the Phase I Transferred Interests, free and clear of all liens, pledges, security interests, rights of first refusal, options, restrictions, encumbrances and liabilities of any kind whatsoever.

(ii) A First Amendment to the Operating Agreement of the Company, duly authorized, approved and executed by all of the members of the Company, in the form attached hereto as Exhibit C (the "**First Amendment to Operating Agreement**").

(iii) A Second Amended and Restated Operating Agreement of the Company substantially in the form attached hereto as Exhibit D and to become effective as of the Phase II Closing Date (the "**Amended and Restated Operating Agreement**"), approved and executed by each of the Sellers other than MHH-Danbury.

(iv) A Management Agreement with SCA substantially in the form attached hereto as Exhibit E (the "**Management Agreement**"), as approved and executed by the Company.

(v) An amendment to the Leased Employee Agreement between the Company and the Employee Leasing Company, pursuant to which the Leased Employee Agreement will automatically terminate upon the transition of the Employees to SCA in accordance with Section 7.2 hereof;

(vi) The owner restrictive covenant agreements as contemplated by Section 10.7.

(vii) Copies of resolutions duly adopted by the Board of Managers and the members of the Company, authorizing and approving the sale of the Transferred Interests as required under the Operating Agreement, certified as true and in full force as of the Phase I Closing, by the appropriate officers of the Company.

(viii) The certificates of the Sellers' Committee and the Company required to be delivered pursuant to Section 9.1 hereof, if applicable.

(ix) Certificates of existence and good standing of the Company from the State of Connecticut, dated the most recent practicable date prior to the Phase I Closing.

(x) Resignation of MHH-Danbury's appointee to the Board of Managers of the Company, effective as of the Phase I Closing Date.

(xi) A Unit Purchase Agreement between each of Michael Brand, M.D., Angelo Ciminiello, M.D. and Joseph DiGiovanni, M.D. (the "**DOA Physicians**"), and SCA Danbury Surgical Center, LLC (the "**General Partner**"), each fully-executed by the applicable DOA Physician, pursuant to which each of the DOA Physicians will assign and transfer all of his respective limited partnership interests in Danbury Surgical Center, L.P. to the General Partner as of the Effective Date for a purchase price of One Dollar ($1).

(xii) Such other instruments of title, certificates, consents, endorsements, assignments, assumptions and other documents or instruments, in a form reasonably satisfactory to Buyer and its counsel, as may be reasonably requested by Buyer in order to carry out the transactions contemplated by this Agreement and to comply with the terms hereof.

(b) Buyer. At the Phase I Closing, Buyer shall execute and/or deliver or cause to be delivered to the Sellers the following:

(i) Payment of an amount equal to the Phase I Purchase Price (subject to the adjustments contemplated by Section 1.3(c)) in immediately available funds by wire transfer, to an account designated by the Sellers' Committee.

(ii) The First Amendment to the Operating Agreement, duly authorized, approved and executed by Buyer.

(iii) The Management Agreement, approved and executed by SCA.

(iv) The Amended and Restated Operating Agreement, approved and executed by Buyer.

(v) The certificate of Buyer required to be delivered pursuant to Section 8.1 hereof, if applicable.

(vi) Such certificates, consents, assumption agreements and other documents, in a form reasonably satisfactory to the Sellers and their counsel, as may be reasonably requested by the Sellers to carry out the terms of and transactions contemplated by this Agreement.

2.3 **Phase II Closing**. The Phase II Closing shall take place as of the first day of the next month following the satisfaction of all conditions to closing (including, without limitation, receipt of the CON Approval), or at such other time as shall be agreed upon by all the parties hereto in writing (the "**Phase II Closing Date**"). For the purposes of this Agreement, the Phase II Closing shall be effective as of 11:59 p.m. on the Phase II Closing Date.

2.4 **Deliverables at the Phase II Closing**.

(a) Sellers and the Company. At the Phase II Closing, the Sellers or the Company, as applicable, shall execute and/or deliver or cause to be delivered to Buyer the following:

(i) Instruments of transfer and assignment of the Phase II Transferred Interests, including certificates evidencing such Phase II Transferred Interests, if any, which at the Phase II Closing shall be effective to convey to Buyer all of the Sellers' rights, title and interest in the Phase II Transferred Interests, free and clear of all liens, pledges, security interests, rights of first refusal, options, restrictions, encumbrances and liabilities of any kind whatsoever.

(ii) The certificates of the Sellers' Committee and the Company required to be delivered pursuant to Section 9.2 hereof, if applicable.

(iii) Resignations of each of the board members and officers of the Company, effective as of the Phase II Closing Date.

(iv) Such other instruments of title, certificates, consents, endorsements, assignments, assumptions and other documents or instruments, in a form reasonably satisfactory to Buyer and its counsel, as may be reasonably requested by Buyer in order to carry out the transactions contemplated by this Agreement and to comply with the terms hereof.

(b) Buyer. At the Phase II Closing, Buyer shall execute and/or deliver or cause to be delivered to the Sellers the following:

(i) Payment of an amount equal to the Phase II Purchase Price (subject to the adjustments contemplated by Section 1.3(c)) in immediately available funds by wire transfer, to an account designated by the Sellers' Committee.

(ii) The certificate of Buyer required to be delivered pursuant to Section 8.2 hereof, if applicable.

(iii) Such certificates, consents, assumption agreements and other documents, in a form reasonably satisfactory to the Sellers and their counsel, as may be reasonably requested by the Sellers to carry out the terms of and transactions contemplated by this Agreement.

2.5 **Tax Returns; Section 754 Election.**

(a) Any Tax Return to be prepared pursuant to the provisions of this Section 2.5 shall be prepared in a manner consistent with practices followed in prior years by the Company with respect to similar Tax Returns, except for changes required by changes in applicable laws or changes in fact; provided, however, that to the maximum extent permitted by Law, any Tax deductions attributable to or resulting from the incurrence or payment of Transaction Expenses by the Company, including bonus, etc. shall be (i) included on the Tax Return of the Company for the taxable period or portion thereof ending on or prior to the Effective Date and (ii) allocated entirely to the Sellers, and none of such Tax deductions shall be allocated to Buyer. Except as required by applicable laws, neither Buyer nor the Company shall cause or permit the Company to (i) amend, refile or otherwise modify any Tax Return with respect to the Company for any taxable period or portion thereof ending on or prior to the Effective Date or the Phase II Closing Date, or (ii) enter into any closing agreement, settle any Tax claim or assessment relating to the Company, surrender any right to claim a refund of Taxes, or consent to any extension or waiver of the limitation period applicable to any Tax claim or assessment relating to the Company for any taxable period or portion thereof ending on or prior to the Effective Date or the Phase II Closing Date, in each instance without obtaining the prior written consent of the Sellers' Committee, such consents not to be unreasonably withheld, conditioned or delayed.

(b) Buyer shall prepare, or cause to be prepared, at the Company's reasonable expense, all Tax Returns filed by the Company after the Effective Date, including (i) Tax Returns required to be filed with respect to taxable periods ending on or prior to the Effective Date or the Phase II Closing Date (each, a "**Pre-Closing Tax Return**"), and Tax Returns required to be filed with respect to taxable periods that include, but do not end on, the Effective Date or the Phase II Closing Date (each such taxable period a "**Straddle Period**," and each such Tax Return a "**Straddle Period Tax Return**"). Buyer shall submit a copy of each Pre-Closing Tax Return and each Straddle Period Tax Return to the Sellers (together with the Section 754 Election Forms, documents regarding the effect of the Section 754 Election (hereinafter defined) on the basis of the Company's assets, and such other supporting schedules and documents reasonably requested by the Sellers) at least sixty (60) days prior to the due date (including extensions) of such Tax Return, or as soon as reasonably possible if the relevant Tax Return is required to be filed (after taking into account all available extensions) within ninety (90) days following the Effective Date

or the Phase II Closing Date. If the Sellers object to any item on any such Tax Return (including items related to the Section 754 Election or the Section 754 Election Forms), they shall, within thirty (30) days after delivery of such Tax Return, notify Buyer and the other Sellers in writing that they so object, specifying such item or items and the basis for any such objection. If a notice of objection shall be duly delivered, Buyer and the Sellers shall negotiate in good faith and use their reasonable best efforts to resolve such items. If Buyer and the Sellers are unable to reach such agreement within ten (10) days after receipt by Buyer of such notice, the disputed items shall be resolved by an accounting firm selected by Buyer and reasonably acceptable to the Sellers (the "**Accounting Referee**") and any determination by the Accounting Referee shall be final. The Accounting Referee shall resolve any disputed items in accordance with the terms of this Agreement within twenty (20) days of having the item referred to it pursuant to such procedures as it may require. If the Accounting Referee is unable to resolve any disputed items before the due date for such Tax Return, the Tax Return shall be filed as prepared by Buyer at the Company's reasonable expense, and then amended by Buyer to reflect the Accounting Referee's resolution. The costs, fees and expenses of the Accounting Referee shall be borne equally by Buyer and the Sellers.

(c) Buyer and the Sellers agree that, following the Phase I Closing, the Company shall make a timely election under Section 754 of the Code ("**Section 754 Election**"). Such election will be made effective as of the taxable year of the Company in which the Effective Date occurs, and shall remain in effect for the taxable years that includes the Phase II Closing Date. The Section 754 Election will be attached to the federal income Tax Return of the Company for the taxable year that includes or ends on the Effective Date. Buyer shall cause the Company to prepare, execute and deliver to the Sellers in accordance with Section 2.5(b) such documents and forms as are required by applicable law for an effective Section 754 Election, including the statement required by Treasury Regulations Section 1.743-1(k)(1) (regarding the effect of the adjustment of the basis of the Company's assets), and including such schedules or work papers as the Sellers may reasonably request with respect to the allocation of basis pursuant to Treasury Regulations Section 1.755-1 (collectively, the "**Section 754 Election Forms**").

(d) Notwithstanding any provision herein to the contrary, but subject to Section 2.5(e), for purposes of determining each Seller's distributive share of items of income, gain, loss, deduction and credit for the taxable years or portions thereof which include the Effective Date or the Phase II Closing Date, the Parties agree that, to the extent permitted by applicable law, the taxable year of the Company shall end as of the end of the Effective Date and the Phase II Closing Date. To the extent the taxable year of the Company does not close as of the end of the Effective Date and the Phase II Closing Date, Buyer shall cause the Company to timely elect, with respect to the closing date for which the taxable year of the Company does not close, (i) to use the interim closing method specified in Section 706 of the Code and Treasury Regulations Section 1.706-4, (ii) to use the calendar day convention specified in Treasury Regulations Section 1.706-4(c)(1)(i), and (iii) to use any similar or comparable methods or conventions for state or local Tax purposes to the extent permitted by applicable law. The Sellers and Buyer agree that (A) all items of income, gain, loss, deduction and credit of the Company with respect to taxable periods or portions thereof ending on or before the Effective Date shall be allocated pro rata among the Sellers in accordance with their respective Pre-Transaction Ownership Interests (as set forth on Exhibit A) except as otherwise required pursuant to the Company's Operating Agreement, and (B) all items of income, gain, loss, deduction and credit of the Company with respect to taxable periods or portions thereof

beginning immediately after the Effective Date and ending on or before the Phase II Closing Date shall be allocated pro rata among the Sellers and Buyer in accordance with their respective Interim Ownership Interests (as set forth on Exhibit A). Following the Effective Date, no such items shall be allocable to MHH-Danbury or any other Seller who does not retain any ownership interests in any of the Company following the Effective Date. For property taxes and other taxes not based upon or related to income or receipts for which a "closing of the books" is not reasonably possible, the portion of such tax which is attributable to the taxable years or portions thereof which include the Effective Date or the Phase II Closing Date shall be determined on a pro rata, per diem basis.

(e) Notwithstanding any provision in this Section 2.5 to the contrary, to the extent permitted by applicable law, (i) all Transaction Expenses and other costs incurred by or on behalf of the Company in connection with the Phase I Transferred Interests shall be allocated for income tax purposes solely to the Sellers in accordance with their Pre-Transaction Ownership Interests (as set forth on Exhibit A) except as otherwise required pursuant to the Company's Operating Agreement, and (ii) all Transaction Expenses and other costs incurred by or on behalf of the Company in connection with the Phase II Transferred Interests shall be allocated for income tax purposes, but only with respect to a percentage of such Transaction Expenses and other costs in proportion to the Sellers' respective pro rata shares of the Interim Ownership Interests (as set forth on Exhibit A), to the Sellers in accordance with their Interim Ownership Interests (as set forth on Exhibit A).

(f) In determining the Sellers' liability for the Company's Taxes pursuant to this Agreement, the Sellers shall be credited with the amount of estimated Taxes of the Company paid by or on behalf of the Company (i) on or prior to Effective Date, with such credit applied among the Sellers pro rata based on their Pre-Transaction Ownership Interests (as set forth on Exhibit A), and (ii) during the period beginning immediately after the Effective Date and ending on or before the Phase II Closing Date, with such credit applied among the Sellers, a percentage of such estimated Taxes in proportion to the Sellers' respective pro rata shares of the Interim Ownership Interests (as set forth on Exhibit A), pro rata based on their Interim Ownership Interests (as set forth on Exhibit A). To the extent that the Sellers' liability for the Company's Taxes is less than the amount of Taxes of the Company previously paid by or on behalf of the Company with respect to a taxable period or portion thereof ending on or before the Effective Date, or the Phase II Closing Date but only with respect to a percentage of such Taxes paid by or on behalf of the Company in proportion to the Sellers' respective pro rata shares of the Interim Ownership Interests (as set forth on Exhibit A), the Company shall pay Sellers the difference within ten (10) days of filing the Tax Return relating to such Taxes. Any payment by the Company pursuant to this Section 2.5(f) shall be allocated among the Sellers pro rata in a manner consistent with the immediately preceding sentence.

(g) Any Tax refund (including any interest in respect thereof) received by the Company, and any amounts credited against or otherwise reducing Tax to which the Company becomes entitled (including by way of any amended Tax Returns or any carryback filing), that (i) relates to any taxable period or portion thereof ending on or before the Effective Date shall be entirely for the account of the Sellers, except to the extent such Tax refund or amount was reflected as an asset in the Actual Working Capital, as finally determined pursuant to Section 1.4, and (ii) relates to the taxable period that begins immediately after the Effective Date and ends on the Phase II Closing Date shall be for the account of the Sellers and Buyer, but only with respect to a

percentage of any such refunds or amounts in proportion to the Sellers' and Buyer's respective pro rata shares of the Interim Ownership Interests (as set forth on Exhibit A). Buyer shall pay over to the Sellers the amount of any Tax refund or other amounts due to the Sellers pursuant to this Section 2.5(g) within ten (10) days after receipt of such refund, credit or reduction or entitlement thereto. For purposes of this Section 2.5(g), where it is necessary to apportion any such refund, credit or reduction between Sellers and Buyer, such refund, credit or reduction shall be apportioned in the same manner that Tax liabilities are apportioned pursuant to Section 2.5(d). Any payment to the Sellers pursuant to this Section 2.5(g) shall be allocated among the Sellers pro rata in a manner consistent with Section 2.5(f). Buyer shall cooperate, and cause the Company to cooperate, in obtaining any Tax refund that Sellers reasonably believe should be available, including through filing appropriate forms with the applicable governmental authority.

(h) Except as required by applicable law, the Company shall not file any election or take any other action on or with respect to any taxable period or portion thereof ending on or prior to the Effective Date or the Phase II Closing Date which could increase the liability of a Seller for Taxes (including any liability of a Seller to indemnify Buyer for Taxes pursuant to this Agreement) without the prior written consent of the Sellers' Committee, which consent may not be unreasonably withheld, conditioned or delayed; provided, however that nothing in this Section 2.5(h) shall affect Buyer's right to cause the Company to make, at Buyer's sole cost and expense an election under Section 754 of the Code at such times so as to ensure Buyer obtains the benefit of Section 743(b) of the Code with respect to its purchase of the Phase I Transferred Interests and the Phase II Transferred Interests pursuant to this Agreement.

(i) After each of the Phase I Closing and the Phase II Closing, each of the Sellers and Buyer shall (and shall cause the Company and its employees and representatives to) (i) assist the other party in preparing and filing any Tax Returns which such other party is required by law or this Agreement to prepare or file (such cooperation shall include, for example, signing any such Tax Returns), and (ii) cooperate fully in preparing for any audits of, or disputes with any governmental authority regarding, any Tax Returns of any of the Company. In connection therewith, the Company shall not dispose of any Tax work papers, books or records relating to any of the Company until the expiration of the applicable statute of limitations.

ARTICLE III
REPRESENTATIONS AND WARRANTIES RELATING TO THE SELLERS

For purposes of this ARTICLE III, the term "**Seller's Knowledge**" and any grammatical variation thereof, shall mean the actual knowledge of such Seller as of the Effective Date and the Phase I Closing Date, and, in the case of the Physician Sellers, the Phase II Closing Date. As of the Effective Date and the Phase I Closing Date, and, in the case of the Physician Sellers, the Phase II Closing Date, each Seller, severally but not jointly, hereby represents and warrants to Buyer as follows:

3.1 **Ownership of Membership Interests in the Company and MHH-Danbury.** Such Seller holds and has good and marketable title to, and sole record and beneficial ownership of, the membership interest in the Company set forth opposite his, her or its name on Exhibit A attached hereto, free and clear of any and all liens, pledges, security interests, rights of first refusal, options, restrictions, encumbrances and liabilities of any kind whatsoever, except as set forth in

the Operating Agreement. MHH-Danbury is a wholly owned subsidiary of Merritt. Except as set forth in the Operating Agreement (hereinafter defined), with respect to the portion of the Transferred Interests being transferred hereunder by such Seller (as set forth on Exhibit A) there are no (i) outstanding rights, contracts, rights to subscribe, or other agreements or commitments of any character, (ii) agreements or understandings with respect to the voting of such Transferred Interests on any matter, or (iii) preemptive or similar rights with respect to the issuance, sale or other transfer (whether present, past or future) of such Transferred Interests. Immediately after the Phase I Closing, Buyer will own all of that portion of the Phase I Transferred Interests owned by such Seller, free and clear of any liens, charges, encumbrances or other claims. Immediately after the Phase II Closing, Buyer will own all of that portion of the Phase II Transferred Interests owned by such Seller, free and clear of any liens, charges, encumbrances or other claims.

3.2 **Authority**. Such Seller has the full capacity, right, power and authority to enter into this Agreement and to carry out the transactions contemplated hereby, including, but not limited to, the transfer, conveyance and sale to Buyer at the Phase I Closing or the Phase II Closing, as applicable, of that portion of the Transferred Interests set forth opposite his, her or its name on Exhibit A hereto. Such Seller has taken all action required by law and by the organizational documents of the Company or such Seller, or otherwise, to authorize the transactions contemplated hereby. Merritt has full capacity, right, power and authority to enter into this Agreement and to carry out the transactions contemplated hereby. Merritt has taken all action required by law and by the organizational documents of the Company or Merritt, or otherwise, to authorize the transactions contemplated hereby.

3.3 **Binding Effect**. This Agreement constitutes the valid and binding obligation of such Seller and of Merritt, as applicable, enforceable in accordance with its terms except as the same may be restricted, limited or delayed by applicable bankruptcy or other laws affecting creditors' rights generally or by equitable principles and except as to the remedy of specific performance which may not be available under the laws of various jurisdictions.

3.4 **No Violations**. The execution, delivery and performance of this Agreement by such Seller and Merritt and the consummation of the transactions contemplated hereunder will not (a) violate in any material respect any provision of, result in the breach of, or constitute a default under, any law or any order, writ, injunction or decree of any court,. governmental agency or arbitration tribunal; (b) constitute a violation of or a default under, or a conflict with, any material term or provision of the Operating Agreement; (c) constitute a violation of any material provision or a default under any material contract, commitment, indenture, lease, instrument or other agreement, or any other material restriction of any kind to which such Seller or Merritt is a party or is bound; or (d) result in the creation of any encumbrance, claim, or obligation under any security agreement, indenture, mortgage, lien or other agreement to which such Seller or Merritt is a party or by which the assets of such Seller are bound.

3.5 **No Exclusions**. Neither such Seller nor any of his, her or its Affiliates, officers, directors, members, managers, managing employees or immediate family members has been excluded from participation in the Medicare, Medicaid or CHAMPUS/TriCare programs or any other Federal health care program, nor to such Seller's Knowledge, is any such exclusion threatened.

3.6 **Brokers**. Except as set forth on Schedule 3.6, neither such Seller nor any person acting on his, her or its behalf has paid or become obligated to pay any fee or commission to any broker, finder or intermediary for or on account of the transactions contemplated by this Agreement.

3.7 **Acknowledgment**. Such Seller hereby acknowledges that such Seller has read this Agreement and the other documents to be delivered by such Seller in connection with the consummation of the transactions contemplated hereby and has made an independent examination of the transactions contemplated hereby (including the tax consequences thereof). Such Seller further acknowledges that such Seller has had an opportunity to consult with and has relied upon the advice, if any, of such Seller's legal counsel, financial advisors or accountants with respect to the transactions contemplated hereby to the extent such Seller has deemed necessary, and has not been advised or directed by Buyer, the Company or their respective legal counsel or other advisors in respect of any such matters and has not relied on any such parties in connection with this Agreement and the transactions contemplated hereby.

ARTICLE IV
REPRESENTATIONS AND WARRANTIES OF THE COMPANY

As of the Effective Date and the Phase I Closing Date, the Company hereby represents and warrants to Buyer as follows:

4.1 **Organization and Qualification**. The Company is duly organized, validly existing and in good standing as a limited liability company under the laws of the State of Connecticut.

4.2 **Corporate Authority**. The Company has all requisite power and authority necessary to carry on the businesses in which it is engaged and in which it presently proposes to engage, and to own and use the properties owned and used by it, and (ii) to enter into this Agreement and consummate the transactions contemplated hereby. All corporate action on the part of the Company and its officers necessary for the authorization, execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby shall have been taken prior to the Phase I Closing or the Phase II Closing, as applicable.

4.3 **Binding Effect**. This Agreement constitutes the legal, valid and binding obligation of the Company, enforceable in accordance with its terms except as the same may be restricted, limited or delayed by applicable bankruptcy or other laws affecting creditors' rights generally or by equitable principles and except as to the remedy of specific performance which may not be available under the laws of various jurisdictions.

4.4 **No Violations**. The execution, delivery and performance of this Agreement by the Company and the consummation of the transactions contemplated hereunder will not (a) violate in any material respect any provision of, result in the breach of, or constitute a default under, any law or any order, writ, injunction or decree of any court, governmental agency or arbitration tribunal; (b) constitute a violation of or a default under, or a conflict with, any material term or provision of the Operating Agreement (hereinafter defined); (c) constitute a violation of any material provision or a default under any material contract, commitment, indenture, lease, instrument or other

agreement, or any other restriction of any kind to which the Company is a party or is bound; (d) result in the creation of any encumbrance, claim, or obligation under any security agreement, indenture, mortgage, lien or other agreement to which the Company is a party or by which the assets of the Company are bound; or (e) cause, or give any party grounds to cause (with or without notice, the passage of time or both) the maturity of any material liability or obligation of the Company to be accelerated, or increase any such liability or obligation.

4.5 **Organization and Ownership of the Company.**

(a) Schedule 4.5(a) sets forth a list of all of the members of the Company and the percentage membership interest held by each member, which represents all of the issued and outstanding membership interests in the Company. All of the issued and outstanding membership interests in the Company have been duly authorized and are validly issued, fully paid, and non-assessable.

(b) A true and correct copy of the current Operating Agreement of the Company, and all modifications, amendments, renewals and extensions thereto, are attached hereto as Schedule 4.5(b) (the "**Operating Agreement**"). Neither the Company, nor any member of the Company, is in default under or in violation of any material provision of the Operating Agreement or the Company's articles of organization.

(c) Other than the Operating Agreement, there is no outstanding subscription, option, convertible or exchangeable security, preemptive right, warrant, call or agreement (other than this Agreement) relating to the membership interests in the Company or other obligation or commitment of the Company to issue any membership interests and there are no voting trusts or other agreements, arrangements or understandings applicable to the exercise of voting or any other rights with respect to any membership interests in the Company.

(d) The Company has no direct or indirect ownership interest, by way of stock ownership or otherwise, in any other limited partnership, limited liability company, corporation, association or business enterprise other than the Center.

4.6 **Real Property**. The Company does not own any real property. The premises leased to the Company (the "**Leased Premises**") under the lease described in Schedule 4.6 (the "**Lease**") constitute all real properties used or occupied by the Company in connection with the operation of the Center. The Company is in compliance with the terms of the Lease. The Leased Premises are in compliance in all material respects with all applicable zoning requirements, codes, ordinances and other laws, regulations and requirements, and the consummation of the transactions contemplated herein will not result in a violation of any such law or regulation or the termination of any applicable variance from any such law or regulation now existing. No portion of the Center is subject to any pending or, to the Knowledge of the Company, threatened condemnation proceeding. To the Company's Knowledge, the buildings, plants and structures, including heating, ventilation and air conditioning systems, roof, foundation and floors, of the Center are in operating condition, subject to ordinary wear and tear, and are not in violation of any zoning or other laws or regulations. There are no leases, subleases, licenses, concessions or other agreements, written or oral, granting to any party or parties the right of use or occupancy of any portion of the Center. The Center is supplied with utilities and other services necessary for the operation of such facilities.

4.7 **Assets of the Company.**

(a) Except as set forth on Schedule 4.7(a), the Company has good title to, or the right to use pursuant to valid leases or licenses, all of the assets necessary or appropriate for the continued operation of the Center consistent with past practices, free and clear of all liens, charges, encumbrances or other claims.

(b) The assets owned, leased or licensed by the Company constitute all of the assets used or held for use by the Company in the operations of the Center and such assets are adequate in all material respects to carry on the operations of the Center as they are presently conducted. The inventory of goods and supplies used or maintained in connection with or located in the Center, including, but not limited to, cleaning materials, disposables, linens, consumables, office supplies, and drugs and medical supplies, consists of a quality and quantity usable and saleable in the ordinary course of business as currently conducted. Except as set forth on Schedule 4.7(b), all of the properties and assets of the Company are in good operating condition and repair, free from any defects (except such minor defects as do not interfere with the use thereof in the conduct of normal operations), ordinary wear and tear excepted, and are available for immediate use in the conduct of the operations of the Center.

4.8 **Contracts.** Schedule 4.8 contains a list of all of the contracts, leases, instruments and commitments to which the Company is a party or by which it is bound (the "**Contracts**"). The Company has made available to Buyer a copy of each Contract. Each Contract constitutes the valid and legally binding obligations of the Company and is enforceable by and against the Company in accordance with their respective terms. Each Contract constitutes the entire agreement by and between the respective parties thereto with respect to the subject matter thereof. All obligations required to be performed by the Company under the terms of the Contracts have been performed, no act or omission by the Company has occurred or failed to occur which, with the giving of notice, the lapse of time or both would constitute a material default under the Contracts, and each Contract is now and will be upon and after the Phase I Closing Date, in full force and effect on the part of the Company. To the Knowledge of the Company, each other party that has or had any material obligation or liability under any Contracts is and has been in compliance, in all material respects, with the terms and requirements of the Contract. The Company has not given or received any unresolved written notice regarding any actual, alleged, possible, or potential material violation or breach of, or default under, any Contract. There are no renegotiations of, attempts to renegotiate, or outstanding rights to renegotiate any Contract and no party has made written demand for such renegotiation. The consummation of the transactions contemplated herein will not result in any penalty or loss of any material rights, remedies or benefits to the Company under the Contracts. Except as set forth on Schedule 4.8, none of the Contracts require consent or will be breached as a result of the transactions contemplated by this Agreement. Except as set forth on Schedule 4.8, no party to any of the Contracts has given written notice that it intends to terminate the Contract or withhold its consent to the transactions contemplated by this Agreement.

4.9 **Related Party Transactions.** Except as set forth in Schedule 4.9, no Seller, member, manager, officer or director of the Company has any material direct or indirect financial or economic interest in any competitor or supplier of the Company, and the Company is not a party to any transaction or proposed transaction (including, without limitation, the leasing of property

or the purchase or sale of materials or goods) with any Seller, member, manager, officer or director of the Company or any Affiliate or family member thereof. The Company is not a guarantor of any indebtedness of any other individual, limited partnership, limited liability company, corporation, association or business enterprise.

4.10 **Compliance with Law**. The Company is in compliance, in all material respects, with all applicable federal, state and local laws, regulations, and administrative orders.

4.11 **Healthcare Matters.**

(a) The Company is in compliance, in all material respects, with all applicable federal, state and local laws, regulations, administrative orders and requirements of any governmental authority related to the health care matters, including, but not limited to, statutes and regulations governing the Medicare and Medicaid programs, state laws and regulations governing the licensure and operation of ambulatory surgery centers, the Federal Health Care Program anti-kickback law, 42 U.S.C. §§1320a-7b et seq. and the regulations promulgated thereunder (commonly referred to as the "**Anti-Kickback Law**"), the federal physician self-referral law, 42 U.S.C. §§1395nn et seq. and the regulations promulgated thereunder (commonly referred to as the "**Stark Law**"), the federal civil False Claims Act, 31 U.S.C. §§ 3729 et seq., the Health Insurance Portability and Accountability Act of 1996, 42 U.S.C. §§ 1320d et seq. and 42 C.F.R. Subparts 160, 162 and 164 (commonly referred to as "**HIPAA**"). The Company has timely filed all reports, returns, data, and other information required by all governmental authorities which control, directly or indirectly, any of such entity's activities to be filed therewith, including, but not limited to, all Medicare quality reporting requirements applicable to the Center as a condition to receiving full reimbursement from the Medicare program. No such report or return has been inaccurate, incomplete or misleading in any material respect.

(b) The Center is licensed by the Connecticut Department of Public Health as an ambulatory surgical center, and the Company possesses all other permits, licenses, certificates of occupancy, certificates of completion, environmental and utility permits and approvals, and all other authorizations from each governmental authority necessary with respect to the ownership and operation of the Center by the Company (collectively, the "**Permits**"), a list of which is attached hereto as Schedule 4.11(b). None of the Permits are subject to any conditions or requirements other than those that are generally imposed on the holders of similar permits, licenses or other approvals; all of the Permits are valid and in full force and effect; and no proceeding is pending or, to the Knowledge of the Company, threatened, to revoke, suspend, cancel, terminate or otherwise adversely modify any of the Permits. The Company is in compliance in all material respects with the terms of all of the Permits, and all fees and charges with respect to such Permits that are due and payable as of or prior to the date hereof have been paid in full.

(c) The Center is certified for participation or enrollment in the Medicare and Medicaid programs as an ambulatory surgical center, has a current and valid provider contract with each of the Medicare and Medicaid programs, is in material compliance with the conditions of participation of such programs, and has received all approvals or qualifications necessary for reimbursement from such programs. The Company has not received a written notice from any governmental authority which enforces the statutory or regulatory provisions in respect to either

the Medicare or Medicaid program of any pending or, to the Knowledge of the Company, threatened investigations with respect to the Center.

(d) Neither the U.S. Department of Health and Human Services nor any state agency has conducted or given the Company written notice that it intends to conduct any audit or other review of the Company's participation in the Medicare or Medicaid programs.

(e) The Center is duly accredited, with no contingencies, by Accreditation Association for Ambulatory Health Care, Inc. ("**AAAHC**"). A copy of the most recent accreditation letter from AAAHC pertaining to the Center has been made available to Buyer. Except as set forth on Schedule 4.11(e), the Company has not received any written notices of deficiency from AAAHC with respect to the Center's current accreditation period that require or request any action or response by the Company or the Center, or any such deficiencies have been corrected or otherwise remedied. There are no ongoing or, to the Company's Knowledge, threatened actions that could materially impair such accreditation.

(f) All billing practices of the Company with respect to the Center to all third party payors, including the Medicare, Medicaid and CHAMPUS/TriCare programs and private insurance companies, have been in material compliance with all applicable laws, regulations and policies of such third party payors and the Medicare, Medicaid and CHAMPUS/TriCare programs, and neither the Company nor the Center have billed or received any payment or reimbursement in excess of amounts allowed by law or by the Company's contracts with third party payors, except as and to the extent that liability for such overpayment has already been satisfied in full or is adequately reserved for in the Financial Statements (hereinafter defined).

(g) Except as set forth on Section 4.11(g), no application for any Certificate of Need, Exemption Certificate (each as defined below) or declaratory ruling has been made by the Company with OHCA or other applicable agency which is currently pending or open before such agency, and no such application (collectively, the "**Applications**") filed by the Company within the past three (3) years has been ultimately denied by any commission, board or agency or withdrawn by the Company. The Company has not prepared, filed, supported or presented opposition to any Applications filed by another health care provider or facility within the past three (3) years. Except as set forth on Schedule 4.11(g), the Company has neither any Applications pending nor any approved Applications which relate to projects not yet completed. As used in this section, "**Certificate of Need**" means a written statement issued by OHCA evidencing community need for a new, converted, expanded or otherwise significantly modified health care facility, health service or hospice, and "**Exemption Certificate**" means a written statement from OHCA stating that a health care project is not subject to the Certificate of Need requirements under applicable state law.

(h) Notwithstanding anything else in this Agreement to the contrary, Section 4.11 contains all representations and warranties of Seller relating to the health care matters covered in such Section 4.11.

4.12 **Government Imposed Compliance Obligations, Etc.** None of the Sellers, the Company or the Center (a) has been excluded from participation in any Federal health care program (as defined in 42 U.S.C. Section 1320a-7b(f)), (b) is a party to a Corporate Integrity

Agreement with the Office of Inspector General of the Department of Health and Human Services, (c) has any reporting obligations pursuant to any settlement agreement entered into with any governmental authority, (d) has been the subject of any government payor program investigation conducted by any federal or state enforcement agency, (e) has been a defendant in any qui tam/False Claims Act or similar litigation, or (f) has been served with or received any search warrant, subpoena, civil investigative demand, contact letter, or telephone or personal contact by or from any federal or state enforcement agency.

4.13 **Litigation, Court Orders and Decrees**. Except as set forth in Schedule 4.13, there is no outstanding or, to the Knowledge of the Company, threatened, litigation, claim, investigation, proceeding, order, writ, injunction or decree of any court, governmental agency or arbitration tribunal against or affecting the Company or its assets. The Company has provided or made available to Buyer a complete list of all professional and general liability incidents, incident reports and malpractice claims that have occurred at the Center during the three (3) year period prior to the Effective Date. There is no outstanding or, to the Company's Knowledge, threatened, court order against the Company. None of the Sellers or the Company has received written notice of any investigation by a governmental authority with respect to the Center, and to the Company's Knowledge, no governmental authority is currently conducting an investigation of the Company and no such investigation is being threatened.

4.14 **Taxes**. Except as set forth on Schedule 4.14, all federal, state and other Tax Returns required by law to be filed by the Company (including income Tax Returns) have been timely prepared and/or filed by the Company; the Company has paid or provided for all Taxes which have become due and payable by the Company pursuant to such Tax Returns, except for any Taxes of which the amount, applicability or validity is currently being contested in good faith by appropriate proceedings and with respect to which the Company has set aside on its books adequate reserves; and all such Tax Returns have been prepared in material compliance with all applicable laws and regulations and are true, correct and complete in all material respects. For purposes of this Agreement, "**Tax**" or "**Taxes**" means (a) any federal, state, local, or foreign income, gross receipts, license, payroll, employment, excise, severance, stamp, occupation, premium, windfall profits, environmental (including taxes under Section 59A of the Code), customs duties, capital stock, franchise, profits, withholding, social security (or similar), unemployment, disability, real property, personal property, sales, use, transfer, registration, value-added, alternative or add-on minimum, estimated, or other tax that is imposed by law and payable to a government agency, including any interest, penalty, or addition thereto, whether disputed or not. For purposes of this Agreement, "**Tax Returns**" means any return, declaration, report, claim for refund, or information return or statement required to be filed with any taxing authority (i.e., any governmental authority, domestic or foreign, having jurisdiction over the assessment, determination, collection, or other imposition of any Taxes). The Company has not waived any statute of limitations relating to Taxes, and no written request for such waiver is outstanding. The Company is not currently subject to any Tax audit or examination by a governmental agency, and all Tax deficiencies asserted or assessed against the Company by any governmental agency have been paid or otherwise finally resolved. The Company is and at all times since its formation has been properly classified as a "partnership" for United States federal income Tax purposes in accordance with Code Section 7701(a)(2) and Treasury Regulation Section 301.7701-3(b)(1)(i).

4.15 **Employees; Independent Contractors.**

(a) Except as set forth on Schedule 4.15(a), all individuals working at the Center are employed by Western Connecticut Orthopedic Specialists, P.C. (the "**Employee Leasing Company**"). Schedule 4.15(a) sets forth the names and titles of all employees and independent contractors who are currently performing healthcare services on behalf of the Company or the Center through the Employee Leasing Company, the rate of compensation (including bonuses) paid or being paid to each such individual as of the most recent practicable date, and the full or part-time status of each such employee. The employees and independent contractors listed on Schedule 4.15(a) include all of the persons who are in any way currently employed or so contracted to provide services to or on behalf of the Company.

(b) Schedule 4.15(b) contains a list of (i) all employment agreements to which the Company is a party, other than employment agreements terminable by either party at will and without any severance obligation on the part of the Company; and (ii) all other written agreements that entitle any employee to compensation or other consideration as a result of the acquisition by any person or entity of control of the Company.

(c) The Company is not a party to any collective bargaining agreement or other labor contract. The Company is not subject to any (i) unfair labor practice complaint pending before the National Labor Relations Board or any other federal, state, local or foreign agency; (ii) pending or, to the Knowledge of the Company, threatened labor strike, slowdown, work stoppage, lockout, or other organized labor disturbance; (iii) pending grievance proceeding; (iv) pending representation question; or (v) to the Knowledge of the Company, attempt by any union to represent employees as a collective bargaining agent.

(d) There are no pending or, to the Knowledge of the Company, threatened EEOC claims, OSHA complaints, wage and hour claims, unemployment compensation claims, workers' compensation claims or the like with respect to the Center.

(e) Schedule 4.15(e) lists all current qualified beneficiaries electing or eligible to elect continuation coverage in any group health plan sponsored by the Company or any of its Affiliates, including, but not limited to, the Employee Leasing Company, pursuant to the provisions of the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("**COBRA**").

4.16 **Employee Benefit Plans.**

(a) Except as set forth on Schedule 4.16, neither the Employee Leasing Company nor the Company provides any employee benefit plans for employees of the Center. The benefit plans listed on Schedule 4.16 are referred to herein as the "**Benefit Plans**." The Company has made available to Buyer true and complete copies of the underlying plan materials related to each Benefit Plan. Other than the Benefit Plans, the Company presently does not have, nor has it had within the last five (5) years, any pension, profit sharing, stock bonus plan, nonqualified deferred compensation plan, or other employee pension plan or arrangement in which employees of the Center participate or have participated.

(b) Except as set forth in Schedule 4.16, (i) all of the Benefit Plans have been administered in material compliance with all applicable laws including, without limitation, the applicable provisions of the Internal Revenue Code of 1986 ("**Code**"), the Employee Retirement Income Security Act of 1974, as amended ("**ERISA**") and the Patient Protection and Affordable Care Act of 2010 ("**ACA**"); (ii) there are no "accumulated funding deficiencies" within the meaning of the Code under any of the Benefit Plans; (iii) no reportable events (within the meaning of ERISA) or prohibited transactions (within the meaning of both the Code and ERISA) have occurred under any of the Benefit Plans; (iv) there are no pending or, to the Company's Knowledge, threatened claims by or on behalf of any of the Benefit Plans or by any employee of the Company alleging a breach or breaches of fiduciary duties or violations of other applicable state or federal law that could result in liability on the part of the Company in connection with any of the Benefit Plans under any law, nor to the Knowledge of the Company is there any reasonable basis for such a claim (but for purposes of this clause (iv), excluding routine claims for benefits); (v) all returns, reports, disclosure statements, and premium payments required to be made under the Code, ERISA, or ACA with respect to any of the Benefit Plans have been timely filed, delivered, or paid; and (vi) none of the Benefit Plans have been audited or investigated by the Internal Revenue Service, the U.S. Department of Labor, the Pension Benefit Guaranty Corporation or the U.S. Department of Health and Human Services within the last five (5) years, and there are no outstanding issues with reference to any of the Benefit Plans pending before any other governmental agency.

(c) None of the Benefit Plans are subject to the minimum funding requirements of Code Section 412, and none of the Benefit Plans are multi-employer plans as defined in ERISA Section 3(37). The Company has made no commitment to any employee to adopt, amend, modify or terminate any Benefit Plan in connection with the consummation of the transactions contemplated by this Agreement or otherwise.

4.17 **Environmental Conditions; Medical Waste.**

(a) The Company and the Center are currently in material compliance with all Environmental Laws, including, but not limited to, the possession by the Company of all permits and other governmental authorizations required under applicable Environmental Laws to operate the Center as currently operated and is in material compliance with the terms and conditions thereof. Neither the Company nor the Center has received any written communication from a governmental agency that alleges that such entity is not in material compliance with Environmental Laws, and, to the Company's Knowledge, there are no circumstances that may prevent compliance with Environmental Laws in the future.

(b) The Company has not stored any Hazardous Substances at the Center except in material compliance with applicable Environmental Laws.

(c) Neither the Company nor the Center has disposed of or released any Hazardous Substances except in material compliance with applicable Environmental Laws.

(d) Neither the Company, nor the Center has utilized any transporters or disposal facilities for the transport or disposal of Hazardous Substances, other than Medical Waste.

(e) With respect to the generation, transportation, treatment, storage, and disposal, or other handling of Medical Waste, the Company has complied in all material respects with all Medical Waste Laws.

(f) The following terms shall have the following meanings:

(i) "**Environmental Laws**" means the federal, state, regional, county or local environmental, health or safety laws in effect on the date hereof relating to the use, refinement, handling, treatment, removal, storage, production, manufacture, transportation or disposal, emissions, discharges, releases or threatened releases of Hazardous Substances, or otherwise relating to protection of human health or the environment (including, but not limited to, ambient air, surface water, ground water, land surface or subsurface strata).

(ii) "**Hazardous Substances**" means any toxic or hazardous waste, pollutants or substances, including, without limitation, asbestos containing materials, polychlorinated biphenyls, petroleum products, byproducts, or other hydrocarbon substances, substances defined or listed as a "hazardous substance," "toxic substance," "toxic pollutant" or similarly identified substance or mixture, in or pursuant to any Environmental Law.

(iii) "**Medical Waste**" means (A) pathological waste; (B) blood; (C) sharps; (D) waste from surgery or autopsy; (E) dialysis waste, including contaminated disposable equipment and supplies; (F) cultures and stocks of infectious agents and associated biological agents; (G) contaminated animals; (H) isolation waste; (I) contaminated equipment; (J) laboratory waste; (K) various other biological waste and discarded materials contaminated with or exposed to blood, excretion or secretions from human beings or animals; and (L) any substance, pollutant, material or contaminant listed or regulated under the Medical Waste Tracking Act of 1988, 42 U.S.C. Sections 6992, et seq.

(iv) "**Medical Waste Law**" means any Laws that regulate Medical Waste, or impose requirements relating to Medical Waste, including, without limitation, the Medical Waste Tracking Act of 1988, 42 U.S.C. Sections 6992, et seq.; the U.S. Public Vessel Medical Waste Anti-Dumping Act of 1988, 33 USCA Sections 2501 et seq., the Marine Protection, Research, and Sanctuaries Act of 1972, 33 USCA Sections 1401 et seq., the Occupational Safety and Health Act, 29 USCA Sections 651 et seq., the United States Department of Health and Human Services, National Institute for Occupational Self Safety and Health Infectious Waste Disposal Guidelines, Publication No. 88 119.

4.18 **Medical Staff Matters**. Schedule 4.18 contains a list of all providers in good standing on the medical staff of the Center. There are no pending or, to the Knowledge of the Company, threatened disputes with staff members or allied health professionals who practice at the Center. None of the providers on the medical staff of the Center have, to the Knowledge of the Company, threatened to quit, relocate or retire.

4.19 **No Brokers**. Except as set forth on Schedule 4.19, neither the Company nor any person acting on its behalf has paid or become obligated to pay any fee or commission to any broker, finder or intermediary for or on account of the transactions contemplated by this Agreement.

4.20 **Insurance Coverage**. The Company maintains in full force and effect, with no premium arrearages, the insurance policies, including, but not limited to, the liability and hazard, medical malpractice, and workers' compensation insurance policies, bearing the numbers, for the terms, with the companies, in the amounts and providing the coverage set forth in Schedule 4.20. True and correct copies of all such policies and all endorsements thereto have been made available to Buyer. Schedule 4.20 sets forth a list of all current claims, and any claims filed within the past three (3) years, for any loss in excess of $5,000.00 per occurrence filed by or against the Company, any employee of the Company or any leased employees providing services at the Center, including workers' compensation, general liability and professional malpractice liability claims. Except as set forth in Schedule 4.20, none of such insurance policies require consent or will be breached as a result of the sale of the Transferred Interests to Buyer.

4.21 **Financial Statements**. The Company has delivered to Buyer copies of the following financial statements of or pertaining to the Center and its operations ("**Financial Statements**"), which Financial Statements are maintained on an accrual basis, and copies of which are attached hereto as Schedule 4.21:

(a) Unaudited Balance Sheet dated as of December 31, 2016 (the "**Balance Sheet Date**");

(b) Unaudited Income Statement for the twelve (12) month period ended on the Balance Sheet Date; and

(c) Unaudited Balance Sheets and Income Statements for the fiscal years ended December 31, 2015 and 2014.

The Financial Statements are true, correct and complete in all material respects and have been prepared in accordance with GAAP, except as set forth on Schedule 4.21. The Financial Statements present fairly the financial position of the Company, as of the respective dates thereof and the results of operations for the periods indicated; the Company does not have any liabilities which are not reflected on the Financial Statements other than ordinary course liabilities not required to be shown as liabilities on a balance sheet under GAAP and liabilities which have arisen in the ordinary course of business since the Balance Sheet Date. The Company maintains proper and adequate internal accounting controls and accurate books of account and other financial records of the Center which (a) reflect all items of income and expense and all assets and liabilities required to be reflected therein in accordance with GAAP applied on a basis consistent with the past practices of the Company; and (b) are accurate and complete in all material respects.

4.22 **Certain Post-Balance Sheet Results**. Except as set forth in Schedule 4.22 hereto, since the Balance Sheet Date there has not been any:

(a) material damage, destruction, or loss (whether or not covered by insurance) affecting the Center or the Company's assets;

(b) material adverse changes in the condition, financial or otherwise, of the Company, the business or prospects of, or in the results of operations of, the Center that would have a financial impact in an amount equal to $150,000 or more;

(c) sale, assignment, transfer or disposition of any item of property or equipment included in the Company's assets (other than supplies) with a book value greater than $10,000 in the aggregate, except in the ordinary course of business with comparable replacement thereof;

(d) disposal of any of the Company's assets, writing down of the value of any of the Company's assets which are capital assets, or writing off as uncollectible any account receivable (excluding contractual adjustments and charity care) in excess of $20,000 in the aggregate;

(e) except as in the ordinary course of business, consistent with past practice, or as required by law or the terms of any Benefit Plan (i) increases in the compensation payable to any employees or independent contractors at the Center, or (ii) any increase in, or institution of, any bonus, insurance, pension, profit-sharing or other employee benefit plan, remuneration or arrangements made to, for or with such employees;

(f) changes in the rates charged by the Center for its services, other than those made in the ordinary course of business;

(g) changes in the accounting methods or practices employed by the Company or changes in depreciation or amortization policies;

(h) other than in the ordinary course of business, incurrences of any indebtedness or material liabilities of the Company;

(i) capital expenditures by the Company in excess of $20,000 in the aggregate;

(j) other than in the ordinary course of business, incidences wherein the Company paid, discharged or satisfied any claims, liabilities or obligations (absolute, accrued, contingent or otherwise);

(k) canceled debts or waived claims or rights by the Company, other than any accounts receivables written off in the ordinary course of its business;

(l) any redemption of any of the ownership in the Company or any declared, made or paid special bonuses, dividends or distributions to any of the owners or members of the Company;

(m) amendments to or terminations of any Contract except in the ordinary course of business; or

(n) material transactions pertaining to the Center by the Company outside the ordinary course of business.

4.23 **Receivables**. Schedule 4.23 provides an accurate list and aging of all accounts receivable, notes receivable, and other receivables of the Company arising from the operation of the Center in the ordinary course of business, consistent with past practice, as of April 30, 2017 (the "**Receivables**"). The Receivables represent valid obligations of patients/third party payors of

the Company arising from bona fide transactions entered into in the ordinary course of business, consistent with past practice. On the Phase I Closing Date, the Company will provide to Buyer an accurate list and aging of all accounts receivable, notes receivable, and other receivables of the Company arising from the operation of the Center in the ordinary course of business, consistent with past practice, as of the most recent month end (as of the Phase I Closing Date) that is available (the "**Updated Receivables**"). The Updated Receivables will represent valid obligations of patients/third party payors of the Company arising from bona fide transactions entered into in the ordinary course of business, consistent with past practice. Notwithstanding the foregoing, the Company neither represents nor warrants that all (or any portion) of the Receivables or the Updated Receivables will be collected.

4.24 **Trademarks**. Schedule 4.24 contains a complete and accurate list of all fictional business names, trade names, registered and unregistered trademarks, service marks and applications of the Company (collectively, the "**Marks**"). For each registered Mark, Schedule 4.24 lists the registration number and the jurisdiction of registration beside each Mark. No Mark has been or is now involved in any opposition, invalidation or cancellation.

4.25 **Unclaimed Property**. All unclaimed property (escheat) filings required to be filed by or on behalf of the Company have been timely filed with the appropriate governmental authority or requests for extensions have been timely filed and any such extensions have not expired, each such unclaimed property (escheat) filing was true, complete and correct in all material respects, and all unclaimed property (escheat) filings for which the Company is otherwise liable have been paid in full or, to the extent are not yet due, have been adequately reserved against on the Financial Statements.

4.26 **Bank Accounts**. Set forth on Schedule 4.26 is a detailed listing of all bank accounts held by or in the name of the Company.

4.27 **No Untrue or Inaccurate Representation or Warranty**. This Agreement and Schedules hereto and all Closing Documents (as defined below) furnished and to be furnished to Buyer and its representatives by the Sellers pursuant hereto do not and will not include any untrue statement of a material fact or omit to state any material fact necessary to make the statements made and to be made not misleading. The term "**Closing Documents**" means those documents executed and delivered at the Phase I Closing and the Phase II Closing pursuant to Sections 2.2 and 2.4 above.

4.28 **Knowledge**. For the purposes of this ARTICLE IV, the terms "**Company's Knowledge**," "**Knowledge of the Company**" and words of similar import shall mean (i) any matters with respect to which the Company or the Center has received written notice, and (ii) the collective actual knowledge, obtained after reasonable investigation, of the administrator of the Center and the members of the Company's Board of Managers, and the following individuals: Matt Searles, Rich Searles and Bill Mulhall.

ARTICLE V
REPRESENTATIONS AND WARRANTIES OF BUYER

As of the Effective Date, the Phase I Closing Date and the Phase II Closing Date, Buyer represents and warrants to the Sellers as follows:

5.1 **Organization**. Each of Buyer and SCA are duly organized, validly existing and in good standing as a limited liability company under the laws of the State of Delaware.

5.2 **Corporate Authority**. Each of Buyer and SCA has all requisite power and authority necessary to enter into this Agreement and consummate the transactions contemplated hereby. All corporate action on the part of Buyer and SCA and each of their officers necessary for the authorization, execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby shall have been taken prior to the Phase I Closing or the Phase II Closing, as applicable.

5.3 **Binding Effect**. This Agreement constitutes the legal, valid and binding obligation of each of Buyer and SCA, enforceable in accordance with its terms except as the same may be restricted, limited or delayed by applicable bankruptcy or other laws affecting creditors' rights generally or by equitable principles and except as to the remedy of specific performance which may not be available under the laws of various jurisdictions.

5.4 **No Violations**. The execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby will not (a) violate any provision of, result in the breach of, or constitute a default under, any law or any order, writ, injunction or decree of any court, governmental agency or arbitration tribunal; or (b) constitute a violation of or a default under any material contract, commitment, indenture, lease, instrument or other agreement, or any other restriction of any kind to which Buyer is a party or bound, including but not limited to any governing document of any ambulatory surgery center, physician practice or other form of medical organization in which Buyer or any Affiliate owns an interest as of the Effective Date.

5.5 **No Brokers**. Neither Buyer nor any person acting on behalf of Buyer has paid or become obligated to pay any fee or commission to any broker, finder or intermediary for or on account of the transactions contemplated by this Agreement.

5.6 **Litigation**. Except as set forth on Schedule 5.6, there is no litigation pending or, to Buyer's knowledge, threatened against Buyer or SCA at law or in equity or before any court, legislative or administrative tribunal or governmental agency which questions the validity of this Agreement or which, if adversely determined or publicly disclosed, would have a material adverse effect on the business or operations of the Company. Except as set forth on Schedule 5.6, there is no litigation pending or, to Buyer's knowledge, threatened, which questions the validity of this Agreement or which, if adversely determined or publicly disclosed, could reasonably be expected to (i) adversely affect the ability of Buyer to consummate the transactions contemplated by this Agreement, (ii) result in a material adverse effect on the Center or (iii) materially impair the operation of the Center after the Phase I Closing or the Phase II Closing in substantially the same manner as currently conducted.

5.7 **Available Funds**. Buyer and SCA each shall have as of the Phase I Closing Date and the Phase II Closing Date, respectively, a sufficient amount of cash, lines of credit or other sources of immediately available funds to pay the Phase I Purchase Price and the Phase II Purchase Price, respectively, and to make all other payments required by it in connection with the transactions contemplated hereby.

5.8 **Compliance with Laws; Regulatory Compliance**. Buyer is in compliance in all material respects with all applicable healthcare laws. Buyer has not received notice from any governmental authority of, or notice of any investigation by any governmental authority of, a material violation of any applicable laws relating to or affecting the operations of Buyer.

5.9 **Certain Securities Matters**. Buyer (a) is acquiring the Transferred Interests for investment for its own account, not as a nominee or agent, and not with a view to the resale or distribution of any part thereof, (b) has no present intention of selling or granting any participation in the Transferred Interests, (c) does not presently have any contract, undertaking, agreement or arrangement with any person to sell, transfer or grant participations with respect to all or any portion of the Transferred Interests, (d) understands that the Transferred Interests have not been, and will not be, registered under any federal or state securities laws, by reason of a specific exemption from the registration provisions of such laws that depends upon, among other things, the bona fide nature of the investment intent and the accuracy of its representations as expressed herein, (e) understands that no public market now exists for the Transferred Interests and that the Company makes no assurance or representations that a public market will ever exist for the Purchased Interests, and (f) has had an opportunity to ask questions and receive answers concerning the Company and the Transferred Interests and has had full access to such other information concerning the Company and the Transferred Interests as Buyer has requested.

ARTICLE VI
COVENANTS AND AGREEMENTS OF THE SELLERS AND THE COMPANY

The Sellers and the Company covenant and agree that from the date of this Agreement through the Phase II Closing, and thereafter if so specified, the Sellers and/or the Company, as applicable, will fulfill the following covenants and agreements unless otherwise consented to by Buyer in writing.

6.1 **Consents.** The Sellers and the Company shall use commercially reasonable efforts to obtain all consents, authorizations and approvals (in form and substance acceptable to Buyer) required to be obtained from any person, entity or governmental agency as a result of the transactions contemplated under this Agreement.

6.2 **Access to Information**. The Sellers and the Company shall (i) afford to Buyer reasonable access, during normal business hours, upon reasonable advance notice to an officer of the Company, to the offices, properties, executive employees and business, tax and accounting records (including computer files, retrieval programs and similar documentation) of the Company to the extent Buyer shall reasonably deem such access necessary or desirable; and (ii) furnish to Buyer such additional information concerning the Company as shall be reasonably requested. Buyer agrees that its investigation shall be conducted in such a manner as not to interfere unreasonably with the operations of the Center.

6.3 **Operations Prior to the Phase II Closing Date.** Except as otherwise contemplated herein, the Company shall operate and carry on its business in the ordinary course, and not make any material change in personnel, operations, insurance, finance, accounting policies, the Permits, or real or personal property pertaining to the Center. The Company shall continue to perform all of its obligations under the agreements relating to or affecting the Center consistent with past practice and shall use commercially reasonable efforts to maintain and preserve the business organization intact, retain the present employees at the Center and maintain its relationships with physicians, suppliers, customers, and others having business relations with the Center. Without limiting the provisions of this Section 6.3, except as otherwise contemplated by this Agreement, or with the written approval of Buyer (which Buyer agrees shall not be unreasonably withheld or delayed), between the date hereof and the Phase II Closing, the Company shall not take any action that, if taken between the Balance Sheet Date and the date of this Agreement would render the representations contained in Section 4.21 or 4.22 inaccurate.

6.4 **No-Shop Clause.** From and after the Effective Date until the Phase II Closing or the termination of this Agreement, without the prior written consent of Buyer or except as otherwise permitted by this Agreement: (i) no Seller will sell or offer for sale any portion of his or her membership interest in the Company; (ii) the Company will not offer for sale or lease all or any material portion of the assets of the Company or any ownership interest in the Company (in connection with a merger or consolidation of the Company or otherwise), (iii) no Seller or the Company will solicit offers, initiate, encourage or provide any documents or information to any third party in connection with, discuss or negotiate with any person regarding any inquiries, proposals or offers relating to any such transaction; and (iv) no Seller or the Company will enter into any agreement or discussions with any party (other than Buyer) with respect to any such transaction. The Company and each Seller shall communicate promptly to Buyer the substance of any inquiry or proposal concerning any such transaction.

6.5 **Tail Insurance.** To the extent the Company's general and professional liability insurance coverages are maintained on a "claims made" basis, then at or prior to the Phase I Closing, the Sellers shall cause the Company to obtain "tail" insurance to insure the Company and the Center against professional and general liabilities of the Center relating to all periods prior to the Phase I Closing. Such insurance shall have coverage levels equal to the current policies insuring the Company and shall be for the longest tail period offered by the Company's insurers. The costs of obtaining such "tail" insurance coverages shall be allocated fifty percent (50%) to be paid by Buyer and fifty percent (50%) to be paid by the Sellers at the Phase I Closing.

6.6 **Long-Term Debt Guarantees.**

(a) Release of the Merritt Parties. To the extent there remains any Seller guarantees with respect to the Long-Term Debt (the "**Debt Guarantees**"), the Sellers will use commercially reasonable efforts to cause, as of the Phase I Closing, each of MHH-Danbury and Merritt (including Merritt Investors, as applicable) to be released, in full, from their Debt Guarantees.

(b) Pro-Rata Guarantees; Cross-Indemnity Agreement.

(i) As of the Phase I Closing, each Physician Seller shall guarantee his or her pro-rata share of the Debt Guarantees based on that Physician Seller's Interim Ownership Interests (as set forth on Exhibit A).

(ii) As of the Phase II Closing, each Physician Seller shall guarantee his or her pro-rata share of the Debt Guarantees based on that Physician Seller's Post-Transaction Ownership Interests (as set forth on Exhibit A).

(iii) In the event that SCA (or its Affiliate) guarantees more than its pro-rata share of the Debt Guarantees in order to accommodate a lender's requirements, the Physician Sellers shall enter into a cross-indemnity agreement with SCA (or its Affiliate) to effectuate the intent of clauses (i) and (ii) above (the "**Cross-Indemnity Agreement**")

6.7 **New Facility Lease**. As of the Phase I Closing, the Sellers shall have caused the Company to enter into a new facility lease, on terms and conditions acceptable to Buyer.

ARTICLE VII
COVENANTS AND AGREEMENTS OF BUYER

Buyer covenants and agrees that from the date hereof through the Phase II Closing, unless otherwise consented to by the Sellers' Committee in writing, it will fulfill the following covenants and agreements:

7.1 **Consents**. Buyer shall use best efforts to obtain all consents, authorizations and approvals (in form and substance acceptable to the Sellers' Committee) required to be obtained from any person, entity or governmental agency as a result of the transactions contemplated under this Agreement.

7.2 **Employees**. On or about June 1, 2017 (the "**Hire Date**"), SCA shall offer employment to each active employee of the Employee Leasing Company who provides services exclusively to or on behalf of the Company who is in good standing as of the Hire Date and who satisfies SCA's standard employment requirements for new employees (as determined in the sole discretion of SCA), in positions, and having salaries and wages, consistent with the position, salaries and wages of each such employee immediately prior to the Hire Date. Each such employee who accepts an offer of employment from SCA shall be referred to herein as a "**Hired Employee**." As of the Hire Date, SCA shall provide benefits to the Hired Employees identical to those benefits offered to similarly situated (by position, salary type, and tenure) employees of SCA and its Affiliates. SCA shall recognize the seniority of each Hired Employee while in the employ of the Company for purposes of determining eligibility, vesting and the rate of benefit accrual (but not actual benefit accrual for periods prior to the Hire Date) for benefits available to Hired Employees under any of SCA's current or future employee welfare benefit plans; provided, however, that no such credit need be given in respect of any new plan commenced or participated in by SCA in which no prior service credit is given or recognized to or for other plan beneficiaries. In extending such benefits, SCA shall (i) waive any preexisting condition exclusions for the Hired Employees and their dependents, except to the extent such Hired Employees have not satisfied such exclusions under the current welfare benefit plans of the Company, and (ii) provide for recognition of or credit

for all deductibles paid by such Hired Employees during the current period while in the employ of the Company.

7.3 **Guarantees; Cross-Indemnity Agreement.** Buyer will cooperate in good faith with the Sellers to obtain releases (or partial releases, as applicable) of the Debt Guarantees as contemplated by Section 6.6, including the execution of Debt Guarantees by Buyer to guarantee its pro-rata share of the Company's obligations based on and contemporaneously with (i) Buyer's percentage of ownership interest in the Company as of the Phase I Closing, and (ii) Buyer's percentage of ownership interest in the Company as of the Phase II Closing. SCA (or its Affiliate) shall execute the Cross-Indemnity Agreement, if necessary, as contemplated by Section 6.6.

ARTICLE VIII
CLOSING CONDITIONS OF THE SELLERS

8.1 **Phase I Closing Conditions.** The Sellers shall not be obligated to consummate the transactions contemplated hereby at the Phase I Closing, unless each of the following conditions is fulfilled or performed (unless expressly waived in writing by the Sellers' Committee) prior to or at the Phase I Closing.

(a) Representations and Warranties True. All of the representations and warranties made by Buyer in this Agreement shall be true as of the Phase I Closing Date; Buyer shall have performed and complied in all material respects with all covenants and conditions required by this Agreement to be performed or complied with by it prior to or at the Phase I Closing. Buyer shall have delivered to the Sellers' Committee a certificate dated as of the Phase I Closing Date, as applicable, certifying to the truth of such representations and warranties as of the Phase I Closing, and to the fulfillment of such covenants and conditions.

(b) No Obstructive Proceeding. No action or proceedings shall have been instituted against, and no order, decree or judgment of any court, agency, commission or governmental authority shall be subsisting against the Company or any of the Sellers which seeks to, or would, render it unlawful as of the Phase I Closing, as applicable, to effect the transactions contemplated hereby in accordance with the terms hereof, and no such action shall seek damages in a material amount by reason of the transactions contemplated hereby. Also, no substantive legal objection to the transactions contemplated by this Agreement shall have been received from or threatened by any governmental department or agency.

(c) Consents and Approvals. Each of the parties to any agreement or any instrument under which the transactions contemplated hereby would constitute or result in a default or acceleration of obligations shall have given such consent as may be necessary to permit the consummation of the transactions contemplated hereby without constituting or resulting in a default or acceleration under such agreement or instrument, and any consents or approvals required from any public or regulatory agency or organization having jurisdiction over the Center or the transactions contemplated hereby shall have been given.

(d) Proceedings and Documents Satisfactory. All proceedings in connection with the transactions contemplated hereby and all certificates and documents delivered to the Sellers' Committee pursuant to this Agreement shall be satisfactory in form and substance to the

Sellers' Committee and the Sellers' counsel acting reasonably and in good faith. All documents required to have been delivered by Buyer to the Sellers at or prior to the Phase I Closing shall have been delivered, and all actions required to have been taken by Buyer at or prior to such times shall have been taken.

8.2 **Phase II Closing Conditions**. The Sellers shall not be obligated to consummate the transactions contemplated hereby at the Phase II Closing, unless each of the following conditions is fulfilled or performed (unless expressly waived in writing by the Sellers' Committee) prior to or at the Phase II Closing.

(a) Representations and Warranties True. All of the representations and warranties made by Buyer in this Agreement shall be true at the time of the Phase II Closing Date; Buyer shall have performed and complied in all material respects with all covenants and conditions required by this Agreement to be performed or complied with by it prior to or at the Phase II Closing. Buyer shall have delivered to the Sellers' Committee a certificate dated as of the Phase II Closing Date, as applicable, certifying to the truth of such representations and warranties as of the Phase II Closing, and to the fulfillment of such covenants and conditions.

(b) No Obstructive Proceeding. No action or proceedings shall have been instituted against, and no order, decree or judgment of any court, agency, commission or governmental authority shall be subsisting against the Company or any of the Sellers which seeks to, or would, render it unlawful as of the Phase II Closing, as applicable, to effect the transactions contemplated hereby in accordance with the terms hereof, and no such action shall seek damages in a material amount by reason of the transactions contemplated hereby. Also, no substantive legal objection to the transactions contemplated by this Agreement shall have been received from or threatened by any governmental department or agency.

(c) Consents and Approvals. Each of the parties to any agreement or any instrument under which the transactions contemplated hereby would constitute or result in a default or acceleration of obligations shall have given such consent as may be necessary to permit the consummation of the transactions contemplated hereby without constituting or resulting in a default or acceleration under such agreement or instrument, and any consents or approvals required from any public or regulatory agency or organization having jurisdiction over the Center or the transactions contemplated hereby shall have been given, including, without limitation, the CON Approval.

(d) Proceedings and Documents Satisfactory. All certificates, documents and actions contemplated under Section 2.4 of this Agreement shall have been completed, delivered to the Sellers' Committee and be satisfactory in form and substance to the Sellers' Committee and the Sellers' counsel acting reasonably and in good faith.

ARTICLE IX
CLOSING CONDITIONS OF BUYER

9.1 **Phase I Closing Conditions**. Buyer shall not be obligated to consummate the transactions contemplated hereby at the Phase I Closing unless each of the following conditions is fulfilled or performed (unless expressly waived in writing by Buyer) prior to or at Phase I Closing.

(a) Representations and Warranties True. All of the representations and warranties made by the Sellers and the Company in this Agreement shall be true as of the Phase I Closing Date; the Sellers and/or the Company, as applicable, shall have performed or complied in all material respects with all covenants and conditions required by this Agreement to be performed or complied with by them prior to or at the Phase I Closing. The Sellers' Committee and the Company shall have delivered to Buyer a certificate dated as of the Phase I Closing Date certifying to the truth of such representations and warranties as of the Phase I Closing, as applicable, and to the fulfillment of such covenants and conditions.

(b) No Obstructive Proceeding. No action or proceedings shall have been instituted against, and no order, decree or judgment of any court, agency, commission or governmental authority shall be subsisting against Buyer which seeks to, or would, render it unlawful as of the Phase I Closing, as applicable, to effect the transactions contemplated hereby in accordance with the terms hereof, and no such action shall seek damages in a material amount by reason of the transactions contemplated hereby. Also, no substantive legal objection to the transactions contemplated by this Agreement shall have been received from or threatened by any governmental department or agency.

(c) Consents and Approvals. Each of the parties to any agreement or any instrument under which the transactions contemplated hereby would constitute or result in a default or acceleration of obligations shall have given such consent as may be necessary to permit the consummation of the transactions contemplated hereby without constituting or resulting in a default or acceleration under such agreement or instrument, and any consents or approvals required from any public or regulatory agency or organization having jurisdiction over the Center or the transactions contemplated hereby shall have been given.

(d) Proceedings and Documents Satisfactory. All proceedings in connection with the transactions contemplated hereby and all certificates and documents delivered to Buyer pursuant to this Agreement shall be satisfactory in form and substance to Buyer and its counsel acting reasonably and in good faith. All documents required to have been delivered by the Sellers and the Company to Buyer at or prior to the Phase I Closing shall have been delivered, and all actions required to have been taken by the Sellers or the Company at or prior to such times shall have been taken.

(e) Adverse Change. Since the Effective Date, no material adverse change in the results of operations, financial condition, business or prospects of the Center shall have occurred, and the Company shall not have suffered any material change, loss or damage to the Center or the Company's assets, whether or not covered by insurance.

(f) Cross-Indemnity Agreement. Buyer and SCA shall have received the Cross-Indemnity Agreement, as contemplated by Section 6.6, which shall have been executed by the Physician Sellers.

9.2 **Phase II Closing Conditions.** Buyer shall not be obligated to consummate the transactions contemplated hereby at the Phase II Closing unless each of the following conditions is fulfilled or performed (unless expressly waived in writing by Buyer) prior to or at Phase II Closing.

(a) Representations and Warranties True. All of the representations and warranties made by the Sellers and the Company within this Agreement shall be true at the time of the Phase II Closing Date; the Sellers and/or the Company, as applicable, shall have performed or complied in all material respects with all covenants and conditions required by this Agreement to be performed or complied with by them prior to or at the Phase II Closing. The Sellers' Committee and the Company shall have delivered to Buyer a certificate dated as of the Phase II Closing Date certifying to the truth of such representations and warranties as of the Phase II Closing, as applicable, and to the fulfillment of such covenants and conditions.

(b) No Obstructive Proceeding. No action or proceedings shall have been instituted against, and no order, decree or judgment of any court, agency, commission or governmental authority shall be subsisting against Buyer which seeks to, or would, render it unlawful as of the Phase II Closing, as applicable, to effect the transactions contemplated hereby in accordance with the terms hereof, and no such action shall seek damages in a material amount by reason of the transactions contemplated hereby. Also, no substantive legal objection to the transactions contemplated by this Agreement shall have been received from or threatened by any governmental department or agency.

(c) Consents and Approvals. Each of the parties to any agreement or any instrument under which the transactions contemplated hereby would constitute or result in a default or acceleration of obligations shall have given such consent as may be necessary to permit the consummation of the transactions contemplated hereby without constituting or resulting in a default or acceleration under such agreement or instrument, and any consents or approvals required from any public or regulatory agency or organization having jurisdiction over the Center or the transactions contemplated hereby shall have been given, including, without limitation, the CON Approval.

(d) Proceedings and Documents Satisfactory. All certificates, documents and actions contemplated under to Section 2.4 of this Agreement shall have been completed, delivered to Buyer and be satisfactory in form and substance to Buyer and its counsel acting reasonably and in good faith.

ARTICLE X
RESTRICTIVE COVENANTS

10.1 Physician Seller Restrictive Covenants.

(a) Covenant Not to Compete. Except as set forth on Schedule 10.1, each Physician Seller agrees that during the five (5) year period following the Effective Date, other than through the Company, no Physician Seller nor any of his or her Affiliates shall, without the prior written approval of Buyer, directly or indirectly, own, manage, operate, control or participate in any manner in the ownership, management, operation or control of, or serve as a partner, employee, principal, agent, consultant or otherwise contract with, or have any financial interest in, or aid or assist any other person or entity that operates a facility (including an ambulatory surgery center, a hospital, or an office-based or practice-based facility or operating site or room that provides any of the services offered by the Company (each, a "**Competing Facility**") to provide outpatient surgical services within twenty-five (25) miles from the address of the Center (the "**Restricted**

Area"). Further, a Physician Seller may not provide services of the type provided by the Center in his or her office if the Physician Seller's office, or other entity with which the Physician Seller has a compensation relationship or in which the Physician Seller has an ownership interest, is accredited, licensed or Medicare-certified or such entity or Physician Seller receives a facility fee or technical fee or a site-of-service differential in connection with performing surgery at such location. Notwithstanding the foregoing, nothing in this Section 10.1 shall prohibit a Physician Seller from (i) providing medical staff governance, administrative or similar services at a hospital, with the written approval of Buyer; (ii) maintaining staff privileges at any hospital; or (iii) continued participation and ownership in Danbury Surgical Center, located at 73 Sand Pit Rd # 101, Danbury, CT 06810.

(b) Covenant Not to Solicit. Each Physician Seller agrees that such Physician Seller shall not, within the Restricted Area, directly or indirectly, at any time during the two (2) year period following the Effective Date attempt to induce any person who is an officer, director or employee of the Company as of the Phase I Closing Date to leave the Company or the Center or in any way alter such individual's relationship with the Company or the Center, provided that no advertisement in a newspaper, on the Internet, or other publication of general circulation and no hiring as a result of such a general advertisement shall be prohibited by this Section 10.1(b). For the avoidance of doubt, each Physician Seller may engage in the activities set forth within this Section 10.1(b) outside of the Restricted Area;

(c) For the avoidance of doubt, with respect to the Physician Seller restrictive covenants addressed in this Agreement, this Section 10.1 in conjunction with the restrictive covenants set forth in the First Amendment to the Operating Agreement or the Amended and Restated Operating Agreement, as applicable, supersede all prior contracts and agreements, including the Operating Agreement, and constitute the entire agreement between and among the parties to this Agreement.

10.2 **Merritt and MHH-Danbury Restrictive Covenants**. Merritt and MHH-Danbury each agree that neither of them, nor any of their respective Affiliates, shall, directly or indirectly, do any of the following within the Restricted Area. For purposes of clarification, Merritt and MHH-Danbury may engage in the following activities outside of the Restricted Area. Further, for the avoidance of doubt, the advisory activity by either Merritt or MHH-Danbury in the areas of mergers and acquisition is outside the scope of this restrictive covenant.

(a) Partner with (as joint venturers or common owners of any Competing Facility), induce or attempt to induce any officer, director or employee of the Company, or any physician or other health care professional who has an ownership or investment interest in the Company, in each case as of the Effective Date, to withdraw from the ownership or employ of the Company or the Center or adversely alter such individual's relationship with the Company or the Center, for a period of four (4) years following the Effective Date, provided that no advertisement in a newspaper, on the Internet, or other publication of general circulation and no admission to a medical staff of such individuals as a result of any such advertisement or without solicitation or inducement shall be prohibited by this Section 10.2(a) (but entering into any other arrangement with any officer, director, physician or other health care professional as a result of any such advertisement shall be prohibited);

(b) Partner with (as joint venturers or common owners of any Competing Facility), induce or attempt to induce any physician who has an ownership or investment interest, in each case as of the Effective Date in any of the SCA facilities set forth on Schedule 10.2 to withdraw from the ownership or employ of such SCA facility or facilities or adversely alter such individual's relationship with such SCA facility or facilities, for a period of three (3) years following the Effective Date, provided that no advertisement in a newspaper, on the Internet, or other publication of general circulation and no admission to a medical staff of such individuals as a result of any such advertisement or without solicitation or inducement shall be prohibited by this Section 10.2(b) (but entering into any other arrangement as a result of any such advertisement shall be prohibited); or

(c) Partner with (as joint venturers or common owners of any Competing Facility) or induce or attempt to induce any member of the Center's medical staff, in each case as of the Effective Date to withdraw from the medical staff or employ of the Center or adversely alter such individual's relationship with the Company or the Center, for a period of three (3) years following the Effective Date, provided that no advertisement in a newspaper, on the Internet, or other publication of general circulation and no admission to a medical staff of such individuals as a result of any such advertisement or without solicitation or inducement shall be prohibited by this Section 10.2(c) (but entering into any other arrangement as a result of any such advertisement shall be prohibited).

(d) For the avoidance of doubt, with respect to the Merritt and MHH-Danbury restrictive covenants addressed in this Agreement, this Section 10.2 supersedes all prior contracts and agreements, including the Operating Agreement, and constitutes the entire agreement between and among the parties to this Agreement. Merritt, MHH-Danbury and their Affiliates are hereby expressly released from any and all restrictive covenants contained in the Operating Agreement.

10.3 **Confidential Information**. Following the Effective Date, and indefinitely thereafter, each Seller shall, and shall cause each agent or principal thereof, and such Seller's Affiliates, to keep secret and confidential, all information acquired relating to the following (all such information being hereinafter referred to as "**Confidential Business Information**"): (a) the financial condition and other information relating to the business of the Company, including, without limitation, its rates for services, its operations and contracts, and its business plans and arrangements; (b) the systems, products, plans, services, marketing, sales, administration and management procedures, trade relations or practices, techniques and practices heretofore or hereafter acquired, developed and/or used by the Company; and (c) in connection with the Company's patients, providers, clients, customers, suppliers, vendors, lenders, independent contractors, and payors, the provisions and terms of any agreements or proposed agreements between the Company and any of such individuals or entities. No Seller shall at any time disclose any such Confidential Business Information to any person, firm, corporation, association or other entity, or use the same in any manner other than in connection with operating the business and affairs of the Company or the Center. Notwithstanding the foregoing, the term "**Confidential Business Information**" shall not include the following: any information which was independently developed by a party without the use of the Confidential Business Information; any information which is or becomes available in the public domain during the term of this Agreement other than through a breach of this Agreement or other agreement with the Company or the Center; any information which is ordered to be released by requirement of a governmental agency or court of

law; any information provided to a party's professional advisers (i.e., attorneys and accountants); and any information independently made lawfully available to a party as a matter of right by a third party.

10.4 **Equitable Remedy**. Each Seller acknowledges that the restrictions contained in ARTICLE X are reasonable and necessary to protect the legitimate interests of Buyer and that any violation of such restrictions would result in irreparable injury to the Company and Buyer. In addition to any other remedy or remedies to which Buyer may be entitled in law or in equity, Buyer shall be entitled to preliminary and permanent injunctive relief for a violation or threatened violation of ARTICLE X without having to prove actual damages or to post a bond, and Buyer shall also be entitled to an equitable accounting of all earnings, profits and other benefits arising from such violation. Each Seller hereby waives any objections on the grounds of improper jurisdiction or venue to the commencement of an action in the State of Connecticut and agrees that effective service of process may be made upon him or her by mail under the provisions of Section 13.7.

10.5 **Judicial Determination**. If a court should hold that the restrictions set forth in ARTICLE X are unenforceable because they are unreasonable, then to the extent permitted by law, the court may prescribe the longest duration for the Restricted Period and/or the largest radius or area for the restricted area that is reasonable and the parties agree to accept such determination subject to their rights of appeal. Nothing herein stated shall be construed as prohibiting Buyer from pursuing any other remedy or remedies available for such breach or threatened breach, including recovery of damages from a breaching Seller, or injunctive relief.

10.6 **Extension of Restricted Period**. If a Seller is in violation of ARTICLE X at any time, then the Restricted Period shall be extended for a period of time equal to the period during which said violation or violations occurred. If Buyer seeks injunctive relief from said violation in court, then the running of the Restricted Period shall be suspended during the pendency of said proceeding, including all appeals. This suspension shall cease upon the entry of a final judgment in the matter, not subject to further appeal.

10.7 **Owner Covenants.** At or prior to the Closing, MHH-Danbury shall cause each individual with a direct or indirect ownership interest in MHH-Danbury to execute a restrictive covenant consistent with the covenants of MHH-Danbury in this ARTICLE X, substantially in the form set forth in Exhibit G.

ARTICLE XI
TERMINATION

11.1 **Termination Prior to the Phase I Closing.** Notwithstanding any other provision of this Agreement, this Agreement may be terminated by written notice at any time prior to the Phase I Closing or the Phase II Closing, as applicable:

(a) by mutual agreement of the Sellers' Committee and Buyer;

(b) by the Sellers' Committee, if there has been a breach by Buyer of any of the agreements, representations or warranties contained in this Agreement and, if such breach is curable, such breach shall not have been cured by Buyer or waived in writing by the Sellers'

Committee within ten (10) business days after receipt of written notice of such breach from the Sellers' Committee;

(c) by Buyer, if there has been a breach by the Sellers of any of the agreements, representations or warranties contained in this Agreement and, if such breach is curable, such breach shall not have been cured by the Sellers or waived in writing by Buyer within ten (10) business days after receipt of written notice of such breach from Buyer;

(d) by either the Sellers or Buyer if the transactions contemplated by this Agreement with respect to Phase I shall not have been consummated on or before June 1, 2017; or

(e) by either the Sellers or Buyer if the other makes an assignment for the benefit of creditors, files a voluntary petition in bankruptcy or seeks or consents to any reorganization or similar relief under any present or future bankruptcy act or similar law, or is adjudicated a bankrupt or insolvent, or if a third party commences any bankruptcy, insolvency, reorganization or similar proceeding involving the other.

11.2 **Remedies for Termination**. In the event of termination under Sections 11.1(a), 11.1(d), or 11.1(e), no party shall have any liabilities pursuant to this Agreement to any other party unless such party was in breach of this Agreement in which case the non-breaching party shall be entitled to pursue all of its rights and remedies. Termination under Sections 11.1(b) or 11.1(c), shall be in addition to all other rights and remedies of the non-breaching Party.

11.3 **Termination Prior to the Phase II Closing**. Buyer or the Sellers may terminate their respective obligations to close the transactions contemplated by this Agreement with respect to Phase II, if the Phase II Closing shall not have been consummated on or before December 31, 2018, by providing written notice of such intent to the other. In the event of termination under this Section 11.3, no party shall have any liabilities pursuant to this Agreement to any other party for failure to consummate the Phase II Closing unless the failure to consummate the Phase II Closing was caused primarily by a breach by such party of any covenant or obligation of such party under this Agreement; provided, however, that in such event, the provisions of this Agreement related to the Phase I Closing shall remain in full force and effect following such termination.

ARTICLE XII
INDEMNIFICATION; LIMITATION OF LIABILITY

12.1 **Indemnification by Each Seller**. Subject to the terms of this ARTICLE XII, each Seller agrees to indemnify, defend and hold Buyer harmless from and against any claim, demand, cause of action, judgment, loss, liability, cost or other expense whatsoever, including, without limitation, reasonable attorneys' fees (each such claim, demand, cause of action, judgment, loss, liability, cost or other expense, net of any recoverable insurance proceeds, is referred to herein individually as "**Loss**" and collectively as "**Losses**") which Buyer may suffer, sustain, incur or otherwise become subject to, either directly or indirectly, as a result of (a) any inaccuracy or breach of any representation or warranty made by such Seller under ARTICLE III, or (b) a breach by such Seller of the covenants in ARTICLE X.

12.2 **Indemnification by the Sellers**. Subject to the terms of this ARTICLE XII, the Sellers, severally but not jointly, agree to indemnify, defend and hold Buyer harmless from and

against any Loss which Buyer may suffer, sustain, incur or otherwise become subject to, either directly or indirectly, as a result of (a) any inaccuracy in or breach of any representation or warranty made herein by the Company, (b) the breach of any covenant or agreement contained herein by the Sellers (other than a breach of the covenants in ARTICLE X), (c) the matters described on Schedule 12.2(c), or (d) any Taxes payable by the Company with respect to taxable periods or portions thereof ending on or before the Effective Date that are not reserved against in full on the Financial Statements, except to the extent that any such Taxes are included in the calculation of Actual Working Capital as finally determined pursuant to Section 1.4.

12.3 **Indemnification by Buyer**. Subject to the terms of this ARTICLE XII, Buyer agrees to indemnify, defend and hold each Seller harmless from and against any Loss which such Seller may suffer, sustain, incur or otherwise become subject to, either directly or indirectly, as a result of (a) any inaccuracy in or the breach of any representation or warranty contained herein by Buyer, (b) the breach of any covenant or agreement contained herein by Buyer, or (c) any breach of any non-competition agreement or other restrictive covenant of any kind by Buyer or any of its Affiliates, including, but not limited to, claims against the Company or the Sellers for tortious interference or unfair competition, which is, either directly or indirectly, a result of this Agreement.

12.4 **Procedure**.

(a) Each indemnified party agrees that, within a reasonable time after its discovery of facts giving rise to a claim for indemnity under the provisions of this Agreement ("**Claim**"), it will give notice thereof in writing to the indemnifying party together with a detailed statement of such information respecting any of the foregoing that it shall then have. Each indemnified party further agrees that, in the event that the failure to give such written notice to the indemnifying party within a reasonably prompt time period following Buyer becoming aware of such claim results in the indemnifying party's forfeiture of rights or defenses or other material prejudice to the indemnifying party, the indemnity with respect to the subject matter of the required notice shall be limited to the damages that would have resulted absent the indemnified party's failure to notify the indemnifying party in a reasonably prompt manner after taking into account such actions as could have been taken by the indemnifying party had it received timely notice from the indemnified party.

(b) Following notice by the indemnified party to the indemnifying party of a Claim and provided that the indemnified party notifies the indemnifying party in writing that the indemnified party is entitled to indemnification hereunder with respect to such Claim, the indemnifying party shall be entitled at its cost and expense to contest and defend by all appropriate legal proceedings such Claim; provided, however, that notice of the intention so to contest shall be delivered by the indemnifying party to the indemnified party within thirty (30) days from the date of receipt by the indemnifying party of notice from the indemnified party of the assertion of such Claim. Any such contest of a Claim may be conducted in the name and on behalf of the indemnifying party or the indemnified party, as may be appropriate. Such contest shall be conducted diligently by reputable attorneys employed by the indemnifying party, but the indemnifying party shall keep the indemnified party fully informed with respect to such Claim and the contest thereof, provided that if any indemnified or indemnifying party shall conclude that such party has claims or defenses available to such party that are different from or additional to those available to any other indemnified or indemnifying party, such party may employ separate counsel

at its own expense. If the indemnified party joins in any such contest, with or without separate counsel (such counsel to be at its own expense), the indemnifying party shall have full authority, after consultation with the indemnified party and its counsel, if any, to determine all action to be taken with respect thereto. Further, the indemnifying party shall not, without the prior written consent of the indemnified party, settle, compromise or offer to settle or compromise any such Claim or demand on a basis which would or could result in the imposition of a consent order, injunction or decree which would or could restrict the future activities or conduct of the indemnified party. If any Claim is asserted and the indemnifying party fails to contest and defend such claim within a reasonable period of time, then the indemnified party may take such action in connection therewith as the indemnified party deems necessary or desirable, including retention of attorneys, and the indemnified party shall be entitled to indemnification for costs incurred in connection with such defense, including, without limitation, reasonable attorneys' fees and any investigation costs.

(c) If requested by the indemnifying party, the indemnified party agrees to cooperate with the indemnifying party and its counsel, including permitting reasonable access to books, records, and employees in contesting any Claim which the indemnifying party elects to contest or, if appropriate, in making any counterclaim against any person asserting the Claim, or any cross complaint against any person, but the indemnifying party will reimburse the indemnified party for reasonable out-of-pocket costs (but not the cost of employee time expended) incurred by the indemnified party in so cooperating.

(d) The indemnified party agrees to afford the indemnifying party and its counsel the opportunity to be present at, and to participate in, conferences with all persons, including governmental authorities, asserting any Claim against the indemnified party.

(e) In the event Buyer is entitled to indemnification from Sellers, Buyer shall pursue each liable Seller for his, her or its pro rata share of the Losses in a non-discriminatory manner.

12.5 **Limitation of Damages**. Notwithstanding any provision of this Agreement to the contrary:

(a) The maximum aggregate liability of the Sellers and Buyer, respectively, for indemnification under this ARTICLE XII shall be limited to one hundred percent (100%) of the Purchase Price.

(b) For the avoidance of doubt, the maximum aggregate liability of each Seller for indemnification under this ARTICLE XII shall be limited to such Seller's Pro Rata Share (as set forth on Exhibit A) of the Purchase Price and shall be further limited to each Seller's Pro Rata Share of each of the caps as set forth in Sections 12.5(c), below.

(c) The maximum aggregate liability of the Sellers for indemnification for any and all Losses under Section 12.1(a) and Section 12.2(a) (taken together) shall be limited to:

(i) An amount equal to fifteen percent (15%) of the Purchase Price (the "**Ordinary Representations Cap**") other than for Losses relating to any inaccuracy or breach of

any of the Healthcare Representations, the Employee Benefits Representations, the Fundamental Representations or the Tax Representations;

(ii) An amount equal to thirty percent (30%) of the Purchase Price (the "**Healthcare Representations Cap**") for Losses relating to inaccuracies or breaches of the Healthcare Representations;

(iii) An amount equal to thirty percent (30%) of the Purchase Price (the "**Employee Benefits Representations Cap**") for Losses relating to inaccuracies or breaches of the Employee Benefits Representations;

(iv) An amount equal to fifty percent (50%) of the Purchase Price (the "**Fundamental Representations Cap**") for Losses relating to inaccuracies or breaches of the Fundamental Representations;

(v) An amount equal to fifty percent (50%) of the Purchase Price (the "**Tax Representations Cap**") for Losses relating to inaccuracies or breaches of the Tax Representations; and

(vi) An amount equal to thirty-seven and one half percent (37.5%) of the Purchase Price (the "**Overall Representations Cap**") for any and all Losses indemnifiable under Section 12.1(a) and Section 12.2(a) (taken together); provided that, such maximum aggregate liability shall be increased to fifty percent (50%) of the Purchase Price (in the aggregate and cumulatively with all other Losses indemnifiable under Section 12.1(a) and Section 12.2(a)) solely for Losses relating to inaccuracies or breaches of the Tax Representations and the Fundamental Representations (calculated together).

(d) The maximum aggregate liability of Buyer for indemnification for any and all claims under Section 12.2(a) shall be as follows:

(i) For claims relating to inaccuracies or breaches other than the Fundamental Representations, it shall be limited to an amount equal to fifteen percent (15%) of the Purchase Price;

(ii) For claims relating to inaccuracies or breaches of the Fundamental Representations, it shall be limited to an amount equal to fifty percent (50%) of the Purchase Price.

(e) Except for any claims under Section 12.2(c), neither Buyer nor the Sellers shall be required to indemnify the other, unless and until the aggregate amount of all Losses incurred by the other to which indemnification under this ARTICLE XII applies exceeds $150,000.

(f) In the event the Phase II Closing is not consummated as contemplated by this Agreement, then for purposes of calculating the indemnification limitations under this Section 12.5, the Purchase Price shall be equal to one hundred percent (100%) of the Phase I Purchase Price.

(g) In the event Buyer is entitled to any insurance proceeds, indemnity payments or any third-party recoveries in respect of any Losses for which Buyer is entitled to

indemnification pursuant to Section 12.1 or Section 12.2, Buyer shall use commercially reasonable efforts to obtain, receive or realize such proceeds, benefits, payments or recoveries, and the amount of any such Losses shall be reduced by the amount of such proceeds, benefits, payments or recoveries. In the event that Buyer becomes entitled to receive any such proceeds, benefits, payments or recoveries after Buyer has received any indemnification payment hereunder in respect of any such Losses, Buyer shall promptly refund all or the relevant portion of such indemnification payment.

12.6 **Mitigation of Damages.** An indemnified party shall use its commercially reasonable efforts to mitigate any Losses for which it is entitled to indemnification pursuant to this ARTICLE XII. The indemnifying party shall have the right, but not the obligation, and shall be afforded the opportunity by the indemnified party to the extent reasonably possible, to take all available steps to minimize Losses for which the indemnified party is entitled to indemnification before such Losses actually are incurred by the indemnified party.

12.7 **Survival of Representations and Warranties.** The representations and warranties contained herein shall survive the Phase I Closing for a period of eighteen (18) months from the Phase I Closing Date, except for (i) the representations and warranties in Sections 3.1, 3.2, 3.3, 3.4, 3.6, 4.1, 4.2, 4.3, 4.4, 4.5, 4.7(a), 5.1, 5.2, 5.3, 5.4 and 5.5 (the "**Fundamental Representations**"), which shall survive until thirty (30) days after the expiration of the applicable statute of limitations period, (ii) the representations and warranties in Section 4.14 (the "**Tax Representations**"), which shall survive until thirty (30) days after the expiration of the applicable statute of limitations period, and (iii) the representations and warranties in Sections 4.11 and 4.12 (the "**Health Care Representations**"), and the representations and warranties set forth in Section 4.16 (the "**Employee Benefits Representations**"), each of which shall survive for a period of four (4) years from the Effective Date.

12.8 **Offset Against Future Distributions.** Each Physician Seller hereby acknowledges and agrees that Buyer may cause the Company to (i) offset against such Physician Seller's future cash distributions from the Company (other than Tax Distributions as defined in the Operating Agreement of the Company, as amended, or the Amended and Restated Operating Agreement of the Company (as applicable)), an amount necessary to satisfy any unpaid Established Indemnification Obligations (as defined below) of such Physician Seller and (ii) pay the amount so offset (the "**Offset Amount**") to Buyer. The parties hereby acknowledge and agree that the Offset Amount shall be applied against the amount of any Losses payable by such Physician Seller to Buyer under this ARTICLE XII and shall reduce, on a dollar-for-dollar basis, the remaining amount of any Losses payable by such Physician Seller to Buyer under this ARTICLE XII. For purposes of this Section 12.8, the term "**Established Indemnification Obligations**" shall mean the obligations of such Physician Seller under, and subject to the terms of, this ARTICLE XII to indemnify Buyer, but only to the extent such obligations are either (x) expressly acknowledged in writing by such Physician Seller or (y) conclusively determined by a court of competent jurisdiction in a final, non-appealable judgment.

12.9 **Exclusive Remedy. FROM AND AFTER THE PHASE I CLOSING, THE PARTIES AGREE AND ACKNOWLEDGE THAT THE INDEMNIFICATION RIGHTS PROVIDED IN THIS ARTICLE XII SHALL BE THE SOLE AND EXCLUSIVE REMEDY AND RECOURSE OF THE PARTIES FOR BREACHES OF THE TERMS AND**

CONDITIONS OF THIS AGREEMENT AND FOR ALL DISPUTES ARISING UNDER OR RELATING TO THIS AGREEMENT AND ANY ADDITIONAL AGREEMENTS OR DOCUMENTS EXECUTED OR DELIVERED IN OR ARISING OUT OF THIS TRANSACTION, EXCEPT (I) IN CASES WHERE SPECIFIC PERFORMANCE IS AVAILABLE AS A REMEDY, INCLUDING ARTICLE X, AND (II) FOR CLAIMS ARISING FROM FRAUD, CRIMINAL ACTIVITY OR WILLFUL MISCONDUCT ON THE PART OF A PARTY HERETO IN CONNECTION WITH THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT.

12.10 **Tax Treatment of Indemnification Payments**. All indemnification payments made under this Agreement shall be treated by the parties as an adjustment to the Purchase Price for Tax purposes, unless otherwise required by applicable law.

ARTICLE XIII
MISCELLANEOUS

13.1 **Expenses**. Except as otherwise explicitly set forth within this Agreement, including within this Section 13.1, all fees and expenses incurred by the Sellers and the Company, including, without limitation, legal fees, expenses and compensatory bonuses, in connection with this Agreement and the transactions contemplated hereby ("**Transaction Expenses**"), will be borne by the Sellers, and Transaction Expenses incurred by Buyer will be borne by Buyer. All CON filing fees incurred in connection with obtaining a CON determination for the Phase I Closing shall be borne by Buyer. Transaction Expenses incurred in connection with obtaining the CON Approval for the Phase II Closing shall be borne by the Company.

13.2 **Section Headings**. The Section headings are for reference only and shall not limit or control the meaning of any provision of this Agreement.

13.3 **Waiver**. No delay or omission on the part of any party hereto in exercising any right hereunder shall operate as a waiver of such right or any other right under this Agreement.

13.4 **Schedules**.

(a) All schedules, exhibits and documents referred to in or attached to this Agreement are integral parts of this Agreement as if fully set forth herein and all statements appearing therein shall be deemed to be representations. All items disclosed hereunder shall be deemed disclosed only in connection with the specific representation to which they are explicitly referenced.

(b) During the period between the Phase I Closing Date and the Phase II Closing Date, the Sellers shall promptly provide written updates to Buyer upon determining that any facts or circumstances that arise after the date hereof would be reasonably likely to cause any of the Sellers' or the Company's representations or warranties in Article III or Article IV, respectively, to not be true and correct in all material respects as of the Phase I Closing Date (each a "**Schedule Supplement**"). Any disclosure in any such Schedule Supplement shall not be deemed to have cured any inaccuracy in or breach of any representation or warranty contained in this Agreement, including for purposes of the indemnification or termination rights contained in this Agreement or of determining whether or not the conditions set forth in Section 8.2 have been

satisfied; provided however, that if Buyer has the right to terminate this Agreement (i.e., to not proceed with the consummation of the Phase II Closing), but Buyer does not notify Sellers that Buyer has elected to terminate within ten (10) business days of its receipt of such Schedule Supplement, then Buyer shall be deemed to have irrevocably waived any right to terminate this Agreement with respect to such matter.

13.5 **Assignment**. No party hereto shall assign this Agreement without first obtaining the written consent of the other party, except Buyer shall have the right to assign this Agreement to an entity that is wholly owned, directly or indirectly, by SCA, and Buyer or such assignee shall have the right to collaterally assign the rights of Buyer hereunder respecting remedies in the event of breaches of representations, warranties and covenants and rights of indemnification made by the Sellers hereunder to any lender to Buyer or such assignee, for its benefit and for the benefit of other financial institutions for which it acts as agent.

13.6 **Binding on Successors and Assigns**. Subject to Section 13.5, this Agreement shall inure to the benefit of and bind the respective heirs, administrators, successors and assigns of the parties hereto. Nothing expressed or referred to in this Agreement is intended or shall be construed to give any person other than the parties to this Agreement or their respective successors or permitted assigns any legal or equitable right, remedy or claim under or in respect of this Agreement or any provision contained herein, it being the intention of the parties to this Agreement that this Agreement shall be for the sole and exclusive benefit of such parties or such successors and assigns and not for the benefit of any other person.

13.7 **Notices**. Any and all notices or other communications required or permitted by this Agreement or by law to be served on or given to any party hereto by another party hereto shall be in writing and shall be deemed duly served when personally delivered or mailed by certified or registered mail (postage prepaid) or sent by reputable overnight courier service (charges prepaid), addressed as follows:

If to Buyer:	SCA-Western Connecticut, LLC c/o Surgical Care Affiliates, LLC 569 Brookwood Village, Suite 901 Birmingham, AL 35209 Attention: General Counsel
If to the Company:	Western Orthopedic Connecticut Surgical Center 226 White Street Danbury, CT 06810 Attention: President
If to the Sellers:	To the addresses on file with the Company

With a copy to: McGuireWoods LLP
77 West Wacker Drive
Suite 4100
Chicago, IL 60601
Attention: Bart Walker

or at such other address as one party may designate by notice hereunder to the other party. Notices shall be deemed effective (i) on the actual receipt in the case of hand delivery, (ii) on the next business day in the case of notices by any nationally recognized overnight courier service, or (iii) on the third (3rd) business day after the date of mailing in the manner set forth herein.

13.8 **Parties in Interest; Third Party Beneficiaries**. Nothing in this Agreement is intended to confer any right on any person other than the parties to it and their respective successors and assigns, nor is anything in this Agreement intended to modify or discharge the obligation or liability of any third person to any party to this Agreement, nor shall any provision give any third person any right of subrogation or action over against any party to this Agreement.

13.9 **Drafting Party**. The provisions of this Agreement, and the documents and instruments referred to herein, have been examined, negotiated, drafted and revised by counsel for each party hereto and no implication shall be drawn nor made against any party hereto by virtue of the drafting of this Agreement.

13.10 **Counterparts**. This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall comprise one and the same instrument. In addition, the parties may execute multiple identical originals of this Agreement, each of which shall constitute an original for all purposes. In addition, the parties may execute a counterpart of this Agreement and transmit their signature via facsimile or other electronic means, and such signature received via facsimile or other electronic means shall have the same force and effect as an original.

13.11 **Entire Agreement**. With respect to the subject matter of this Agreement, this Agreement, together with all exhibits and schedules hereto, supersedes all previous contracts and constitutes the entire agreement between the parties. No oral statements or prior written material unless specifically incorporated herein shall be of any force and effect, and no changes in or additions to this Agreement shall be recognized unless incorporated herein by amendment as provided herein, such amendment(s) to become effective on the date stipulated in such amendment(s). The parties specifically acknowledge that in entering into and executing this Agreement, the parties relied solely upon the representations and agreements contained in this Agreement and no others.

13.12 **Further Assurances**. The Sellers and the Company shall execute and deliver such other documents and instruments, and take such other actions, as Buyer may reasonably request in order more fully to vest in Buyer and to perfect its title and interest in and to the Transferred Interests; provided, however, that no such document, instrument or action shall expand the obligations of the Sellers or the Company.

13.13 **Amendment**. This Agreement may not be amended other than by a written instrument executed by all parties hereto.

13.14 **Applicable Law**. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Connecticut without regard to its conflict of laws rules.

13.15 **Affiliates**. For the purposes of this Agreement, the term "**Affiliate**" means, as to the entity in question, any person or entity that directly or indirectly controls, is controlled by or is under common control with, the entity in question, and the term "control" means possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of an entity whether through ownership of voting securities, by contract or otherwise.

13.16 **Waiver of Jury Trial**. EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHTS IT MAY HAVE TO DEMAND THAT ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR IN ANY WAY RELATED TO THIS AGREEMENT OR THE RELATIONSHIPS OF THE PARTIES HERETO BE TRIED BY JURY. THIS WAIVER EXTENDS TO ANY AND ALL RIGHTS TO DEMAND A TRIAL BY JURY ARISING FROM ANY SOURCE INCLUDING, BUT NOT LIMITED TO, THE CONSTITUTION OF THE UNITED STATES OR ANY STATE THEREIN, COMMON LAW OR ANY APPLICABLE STATUTE OR REGULATIONS. EACH PARTY HERETO ACKNOWLEDGES THAT IT IS KNOWINGLY AND VOLUNTARILY WAIVING ITS RIGHT TO DEMAND TRIAL BY JURY.

13.17 **Merritt Guaranty; Net Worth Covenant**. Merritt hereby unconditionally and absolutely guarantees the prompt performance and observance by MHH-Danbury of each and every obligation, covenant and agreement of MHH-Danbury arising out of, connected with, or related to, this Agreement or any ancillary documents hereto and any extension, renewal and/or modification thereof. The obligation of Merritt under this Section 13.17 is a continuing guaranty and shall remain in effect, and the obligations of Merritt shall not be affected, modified or impaired upon the happening from time to time of any of the following events, whether or not with notice or consent of Merritt:

(a) The compromise, settlement, release, change, modification, amendment (except to the extent of such compromise, settlement release, change, modification or amendment) of any or all of the obligations, duties, covenants, or agreements or any party under this Agreement or any ancillary documents hereto; or

(b) The extension of the time for performance of payment of money pursuant to this Agreement, or of the time for performance of any other obligations, covenants or agreements under or arising out of this Agreement or any ancillary documents hereto or the extension or the renewal thereof.

Merritt further covenants and agrees that for a period of two (2) years subsequent to the Phase I Closing, Merritt will maintain a net fair market value of its balance sheet assets equal to at least fifty percent (50%) of MHH-Danbury's Pro Rata Share of the Purchase Price (as set forth on Exhibit A), and for the two (2) year period thereafter, a net fair market value of its balance sheet

assets equal to at least thirty percent (30%) of MHH-Danbury's Pro Rata Share of the Purchase Price (as set forth on Exhibit A).

13.18 **SCA Guaranty**. SCA hereby unconditionally and absolutely guarantees the prompt performance and observance by Buyer of each and every obligation, covenant and agreement of Buyer arising out of, connected with, or related to, this Agreement or any ancillary documents hereto and any extension, renewal and/or modification thereof. The obligation of SCA under this Section 13.18 is a continuing guaranty and shall remain in effect, and the obligations of SCA shall not be affected, modified or impaired upon the happening from time to time of any of the following events, whether or not with notice or consent of SCA:

(a) The compromise, settlement, release, change, modification, amendment (except to the extent of such compromise, settlement release, change, modification or amendment) of any or all of the obligations, duties, covenants, or agreements or any party under this Agreement or any ancillary documents hereto; or

(b) The extension of the time for performance of payment of money pursuant to this Agreement, or of the time for performance of any other obligations, covenants or agreements under or arising out of this Agreement or any ancillary documents hereto or the extension or the renewal thereof.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, this Agreement has been entered into as of the day and year first above written.

BUYER:

SCA-WESTERN CONNECTICUT, LLC

By:_____
Name: Richard L. Sharff, Jr.
Title: Vice President

Solely for purposes of the covenants contained in Section 13.18-

SCA:

SURGICAL CARE AFFILIATES, LLC

By:_____
Name: Richard L. Sharff, Jr.
Title: Executive Vice President

Solely for purposes of the covenants contained in Sections 10.2 through 10.6 and Section 13.17-

MERRITT:

MERRITT HEALTHCARE HOLDINGS, LLC

By:_____
Name: Matthew Searles
Title: Manager

COMPANY:

WESTERN CONNECTICUT ORTHOPEDIC SURGICAL CENTER, LLC

By:_____
Name: Matthew Searles
Title: Manager

IN WITNESS WHEREOF, this Agreement has been entered into as of the day and year first above written.

BUYER:

SCA-WESTERN CONNECTICUT, LLC

By:_____
Name: Richard L. Sharff, Jr.
Title: Vice President

Solely for purposes of the covenants contained in Section 13.18-

SCA:

SURGICAL CARE AFFILIATES, LLC

By:_____
Name: Richard L. Sharff, Jr.
Title: Executive Vice President

Solely for purposes of the covenants contained in Sections 10.2 through 10.6 and Section 13.17-

MERRITT:

MERRITT HEALTHCARE HOLDINGS, LLC

By:_____
Name: Matthew Searles
Title: Manager

COMPANY:

WESTERN CONNECTICUT ORTHOPEDIC SURGICAL CENTER, LLC

By:_____
Name: Matthew Searles
Title: Manager

SELLERS:

MERRITT HEALTHCARE HOLDINGS DANBURY, LLC

By:_____
Name: Matthew Searles
Title:_____

_____
Michael Brand, M.D.

_____
Angelo Ciminiello, M.D.

_____
Robert Deveney, M.D.

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Joseph DiGiovanni, M.D.

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Ross Henshaw, M.D.

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John Lunt, M.D.

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John Dunleavy, M.D.

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Frank Hermantin, M.D.

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Randolph Sealey, M.D.

_____
Robert Yaghoubian, M.D.

_____
John Mullen, M.D.

_____
Philip Mulieri, M.D., Ph.D.

SELLERS:

MERRITT HEALTHCARE HOLDINGS DANBURY, LLC

By:_____
Name: Matthew Searles
Title:_____

Michael Brand, M.D.

Angelo Ciminiello, M.D.

Robert Deveney, M.D.

Joseph DiGiovanni, M.D.

Ross Henshaw, M.D.

John Lund, M.D.

John Dunleavy, M.D.

Frank Hermantin, M.D.

Randolph Scalcy, M.D.

Robert Yaghoubian, M.D.

John Mullen, M.D.

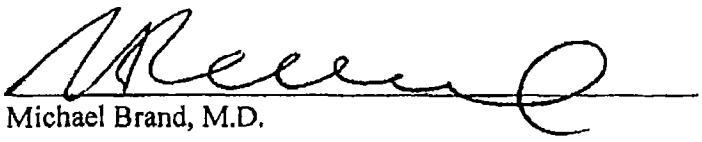
Philip Mulieri, M.D., Ph.D.

[Signature Pages to Membership Interest Purchase Agreement]

SELLERS:

MERRITT HEALTHCARE HOLDINGS DANBURY, LLC

By:_____
Name: Matthew Searles
Title:_____



Michael Brand, M.D.

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Angelo Ciminiello, M.D.

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Robert Deveney, M.D.

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Joseph DiGiovanni, M.D.

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Randolph Sealey, M.D.

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John Mullen, M.D.

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Philip Mulieri, M.D., Ph.D.

SELLERS:

MERRITT HEALTHCARE HOLDINGS DANBURY, LLC

By:_____
Name: Matthew Searles
Title:_____

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SELLERS:

MERRITT HEALTHCARE HOLDINGS DANBURY, LLC

By:_____
Name: Matthew Searles
Title:_____

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Randolph Sealey, M.D.

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Robert Yaghoubian, M.D.

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John Mullen, M.D.

_____
Philip Mulieri, M.D., Ph.D.

David Bomback, M.D.

David Kramer, M.D.

[Signature Pages to Membership Interest Purchase Agreement]

EXHIBIT A

SELLERS

Name of Seller	Percentage Interest in the Company Owned Prior to Closing ("Pre-Transaction Ownership Interests")		Seller's Portion of the Phase I Transferred Interests ("Phase I Pro Rata Share")	Seller's Portion of the Management Rights	Seller's Membership Interest in the Company after the Phase I Closing ("Interim Ownership Interest")		Seller's Portion of the Phase II Transferred Interests ("Phase II Pro Rata Share)	Seller's Membership Interest in the Company after the Phase II Closing ("Post-Transaction Ownership Interest")		Seller's Pro-Rata Share of the Purchase Price ("Pro Rata Share")	Seller's Pro-Rata Share of the Purchase Price (Expressed as a Percentage)
	Units	Percentage	Percentage	Percentage	Units	Percentage	Percentage	Units	Percentage	Dollars	Percentage
Michael Brand, MD	9.5000	8.3265%	6.80%	8.3265%	5.7000	4.9959%	9.80%	4.4705	3.9183%	$2,074,258	7.3888%
Angelo Ciminiello, MD	9.5000	8.3265%	6.80%	8.3265%	5.7000	4.9959%	9.80%	4.4705	3.9183%	$2,074,258	7.3888%
Robert Devaney, MD	9.5000	8.3265%	6.80%	8.3265%	5.7000	4.9959%	9.80%	4.4705	3.9183%	$2,074,258	7.3888%
Joseph DiGiovanni, MD	9.5000	8.3265%	6.80%	8.3265%	5.7000	4.9959%	9.80%	4.4705	3.9183%	$2,074,258	7.3888%
Ross Henshaw, MD	9.5000	8.3265%	6.80%	8.3265%	5.7000	4.9959%	9.80%	4.4705	3.9183%	$2,074,258	7.3888%
John Lunt, MD	9.5000	8.3265%	6.80%	8.3265%	5.7000	4.9959%	9.80%	4.4705	3.9183%	$2,074,258	7.3888%
John Dunleavy, MD	7.0000	6.1353%	5.01%	6.1353%	4.2000	3.6812%	7.22%	3.2941	2.8872%	$1,528,401	5.4444%
Frank Hermantin, MD	7.0000	6.1353%	5.01%	6.1353%	4.2000	3.6812%	7.22%	3.2941	2.8872%	$1,528,401	5.4444%
Randolph Sealey, MD	7.0000	6.1353%	5.01%	6.1353%	4.2000	3.6812%	7.22%	3.2941	2.8872%	$1,528,401	5.4444%
Robert Yaghoubian, MD	3.5000	3.0676%	2.50%	3.0676%	2.1000	1.8406%	3.61%	1.6471	1.4436%	$764,200	2.7222%
John Mullen, MD	3.5000	3.0676%	2.50%	3.0676%	2.1000	1.8406%	3.61%	1.6471	1.4436%	$764,200	2.7222%
Phillip Mulieri, MD	5.1342	4.5000%	3.67%	4.5000%	3.0805	2.7000%	5.29%	2.4161	2.1176%	$1,121,017	3.9932%
David Bomback, MD	3.4228	3.0000%	2.45%	3.0000%	2.0537	1.8000%	3.53%	1.6108	1.4118%	$747,344	2.6621%
David Kramer, MD	3.4228	3.0000%	2.45%	3.0000%	2.0537	1.8000%	3.53%	1.6108	1.4118%	$747,344	2.6621%
Merritt Healthcare	17.1141	15.0000%	30.61%	15.0000%	0.0000	0.0000%	0.00%	4.4705	0.0000%	$6,898,290	24.5725%
TOTAL	**114.09**	**100.0000%**	**100.0000%**	**100.0000%**	**114.09**	**51.0000%**	**100.0000%**	**114.09**	**40.0000%**	**$28,073,146**	**100.0000%**

EXHIBIT B

SELLERS' COMMITTEE

As further described in Section 1.2, the Sellers' Committee shall consist of the following individuals:

Name: Matt Searles
Address: 75 Danbury Rd B5
Ridgefield, CT 06877
Email: msearles@merritthealthcare.com

Name: Joseph DiGiovanni, M.D.
Address: 226 White Street
Danbury, CT 06810
Email: JDiGiovanni@dortho.com

Name: Michael Brand, M.D.
Address: 226 White Street
Danbury, CT 06810
Email: MBrandM.D@dortho.com

EXHIBIT C

FIRST AMENDMENT TO AMENDED AND RESTATED OPERATING AGREEMENT

See attached.

EXECUTION VERSION

FIRST AMENDMENT TO AMENDED AND RESTATED OPERATING AGREEMENT

WESTERN CONNECTICUT ORTHOPEDIC SURGICAL CENTER, LLC

THIS FIRST AMENDMENT TO AMENDED AND RESTATED OPERATING AGREEMENT (this "Amendment") is made and entered into as of May 1, 2017 (the "Amendment Effective Date"), by and among **SCA-WESTERN CONNECTICUT, LLC**, a Delaware limited liability company (the "SCA Member"), and those persons identified as Members in Exhibit A attached hereto and incorporated herein by reference.

RECITALS:

WHEREAS, the Company is governed by that certain Amended and Restated Operating Agreement dated June 28, 2013 (the "Operating Agreement"); and

WHEREAS, pursuant to that certain Membership Interest Purchase Agreement dated as of May 1, 2017 (the "Purchase Agreement"), the SCA Member purchased an aggregate forty-nine percent (49%) membership interest in the Company from the Class A Members and Merritt Healthcare Holdings Danbury, LLC ("Merritt"), including all of the issued and outstanding Units held by Merritt in the Company; and

WHEREAS, as of the Amendment Effective Date, the Company entered into that certain Management Agreement between Surgical Care Affiliates, LLC ("SCA") and the Company (the "SCA Management Agreement"); and

WHEREAS, as required by the Purchase Agreement, the Members wish to amend the Operating Agreement as set forth herein.

AGREEMENT:

NOW, THEREFORE, in consideration of the foregoing, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree to amend the Operating Agreement as follows:

1. Capitalized Terms. Capitalized terms not otherwise defined in this Amendment shall have the meanings set forth in the Operating Agreement.

2. Substitute Member. The Members hereby consent to the admission of the SCA Member as a substitute member of the Company, and the SCA Member shall have all rights afforded to a Member under the Operating Agreement. The SCA Member shall execute and deliver to the Company a joinder to the Operating Agreement.

3. References to the Class B Member and Merritt. Any references in the Operating Agreement to "Merritt" or "Merritt Healthcare" shall be deleted and replaced with "the SCA Member." Any references to the "Class B Member" in the Operating Agreement shall be deemed to mean the SCA Member.

4. Waiver of Certain Rights. Only with respect to the transactions contemplated by the Purchase Agreement, the Class A Members hereby waive any and all rights of first refusal they may otherwise have under the Operating Agreement.

5. Exhibit A. Exhibit A (Membership Units) to the Operating Agreement shall be deleted in its entirety and replaced with a new Exhibit A (Membership Units), which is attached to this Amendment and incorporated herein by this reference.

6. Class B Manager. As of the Amendment Effective Date, the Class B Manager shall be Sap Sinha.

7. "Affiliated Person" or "Affiliate." The following sentence shall be added to the end of the definition of "Affiliated Person" or "Affiliate" in Article I of the Operating Agreement:

> Notwithstanding the foregoing, with respect to the SCA Member, the term "Affiliated Person" or "Affiliate" shall include only SCA and its successors in interest and those entities in which SCA (or its successors in interest) directly or indirectly holds a controlling ownership interest.

8. Services Provided by the Class B Member. Section 7.10 (Services Provided by the Class B Member) is hereby deleted in its entirety.

9. Managers as Members. Section 3.6 (Managers as Members) shall be deleted and replaced with the following:

> 3.6 Managers as Members. Any Manager appointed by the Class A Members must hold a membership interest in the Company.

10. Class B Dilution. Sections 3.8 and 3.9 of the Agreement (Class B Dilution) are hereby deleted in their entirety; provided, however, that if the Phase II Closing (as defined in the Purchase Agreement) does not occur and either the SCA Member or the Class A Members terminate the obligations of the parties with respect to the Phase II Closing in accordance with the terms of the Purchase Agreement, this Section 10 of the Amendment shall be null and void, and Sections 3.8 and 3.9 of the Agreement shall be of full force and effect.

11. Withdrawal of a Member. It is the intent of the Members as of the Amendment Effective Date to remove from the Operating Agreement the concept that a Class A Member may withdraw from the Company after the seventh (7^{th}) anniversary of the date on which such Class A Member became a Member, and such withdrawal will be treated as a Non-Adverse Terminating Event. Accordingly, the following changes shall be made to the Operating Agreement:

a. Section 4.2 shall be deleted and replaced with the following:

> Section 4.2 Intentionally Omitted.

b. Sections 4.3(a)(i)(gg) and (hh) shall be deleted and replaced with the following:

> (gg) the withdrawal of a Member, except as otherwise permitted by this Agreement.
>
> (hh) Intentionally Omitted.

c. Section 4.3(b)(i)(aa) shall be deleted in its entirety and replaced with the following:

> (aa) Intentionally Omitted.

12. Adverse Terminating Events. Section 4.3(a)(i)(cc) shall be deleted and replaced with the following:

> (cc) any material breach of this Agreement by a Class A Member;

13. Tax Matters Partner. The following paragraph shall be added to the end of Section 6.10 (Tax Matters Partner):

> Beginning on January 1, 2018, the Member then serving as Tax Matters Partner (or such other Member as selected by the Board of Directors) shall be designated as the "partnership representative" under Section 6223 of Chapter 63 of the Code (as in effect pursuant to the Bipartisan Budget Act of 2015, Pub L. No. 114-74 (the "**Bipartisan Budget Act**"), and shall be authorized to take any and all action required under the Code or Regulations, as in effect from time to time, to designate itself the "partnership representative." To the extent permitted by the Code and Regulations, the Member so designated as "partnership representative" shall be bound by the obligations and restrictions imposed on the tax matters partner pursuant to this Section 6.10. Upon the promulgation of Regulations implementing subchapter C of Chapter 63 of the Code (as revised by the Bipartisan Budget Act), the Members will evaluate and consider in good faith available options (including amendments to this Agreement) in order to preserve the allocation of responsibility and authority described in this Section 6.10 while conforming with the applicable provisions of the revised partnership audit procedures. The Member designated as the "partnership representative" shall be entitled to the same indemnification rights as provided to the Tax Matters Partner.

14. Board of Managers. The following changes shall be made to Article VII:

a. Sections 7.3(b) (Employees) and 7.3(e) (Insurance) shall be deleted and replaced with the following:

> 7.3(b) Intentionally Omitted.
> 7.3(e) Intentionally Omitted.

b. Section 7.4(g) (Management Agreement) shall be deleted and replaced with the following:

> 7.4(g) Intentionally Omitted.

c. The following sentences shall be added to the end of Section 7.7 (Contracts with Affiliated Persons):

> Notwithstanding anything herein to the contrary, the Members hereby consent to, approve and ratify the terms of the SCA Management Agreement and any cash management services provided by SCA pursuant to the SCA Management Agreement, and no further action or approval shall be required with respect to entering into such agreements or arrangements. The Class A Members, upon vote of the Class A Members holding two-thirds (2/3) of the Units then held by Class A Members ("**Two-Thirds Physician Vote**") may provide SCA with notice of a breach of the SCA Management Agreement, and SCA shall have ninety (90) days to cure such breach. In the event SCA does not cure the breach within ninety (90) days of receipt of notice or in the event there is a dispute as to whether a breach occurred, the Class A Members, upon Two-Thirds Physician Vote, or the Board of Managers may initiate mediation to determine whether a breach occurred and, if so, the damages resulting from such breach. If a dispute remains following the mediation, the Class A

Members, upon Two-Thirds Physician Vote, or the Board of Managers may seek arbitration in accordance with Section 13.15(ii)(c) of this Agreement to determine whether a breach occurred and, if so, the damages resulting from such breach; provided, however, that the award shall be limited to damages and not termination of the SCA Management Agreement. The mediation and arbitration costs and all reasonable expenses related to the mediation and arbitration (including reasonable legal fees) shall be paid by the Company.

d. A new Section 7.11 (Supermajority Board Approvals) shall be added to the end of Article VII as follows:

7.11 Supermajority Board Approvals. Notwithstanding any provision of this Agreement to the contrary, the Board shall not take any of the following actions without the approval of a majority of the Board, inclusive of the Manager appointed by the Class B Member:

(a) Make any decisions regarding the hiring or firing of the Center's administrator;

(b) Plan and adopt the Company's and the Center's annual operating budgets; and

(c) Enter into, renew, amend or terminate any arrangement or agreement with any management company, consulting company, medical director or other senior employee or executive of the Company.

e. A new Section 7.12 (Twenty-Three (23) Hour Stay Facility) shall be added to the end of Article VII as follows:

7.12 Twenty-Three (23) Hour Stay Facility. The Members hereby agree that, provided that use of the Center as a twenty-three (23) hour stay facility is permitted by all applicable laws and regulations and provided that the Board of Managers determines in good faith that such use would be financially feasible, the Company shall build out and operate a 23-hour ambulatory surgical stay facility at the Center within the designated area set forth in the Company's lease of the Center dated the same date hereof. Subject to the foregoing, the Members hereby direct the Board of Managers to pursue all necessary steps to design, construct, finance, staff and operate such 23-hour stay facility at the Center so that the same is fully constructed no later than May 1, 2018, and operational and open for business as soon as practical thereafter.

15. Noncompetition. Section 10.11 (Noncompetition) is hereby deleted in its entirety and replaced with the following:

Section 10.11 Noncompetition.

(a) Class A Members. During the term of a Class A Member's membership in the Company and for a period of two (2) years thereafter, other than through the Company, no Class A Member nor any of his or her Affiliates shall, without the prior written Approval of the Board, directly or indirectly, own, manage, operate, control or participate in any

manner in the ownership, management operation or control of, or serve as a partner, employee, principal, agent, consultant or otherwise contract with, or have any financial interest in, or aid or assist any other person or entity that operates a facility (including an ambulatory surgery center, a hospital or an office-based or practice-based facility or operating site or room that provides any of the services offered by the Company) to provide outpatient surgical services within twenty-five (25) miles of the address of the Center. Further, a Class A Member may not provide services of the type provided by the Center in his or her office if the Class A Member has ownership interest, is accredited, licensed or Medicare-certified or such entity or Class A Member receives a facility fee or technical fee or a site-of-service differential in connection with performing surgery at such location. Notwithstanding the foregoing, nothing in this Section 10.11 shall prohibit (i) a Class A Member from providing medical staff governance, administrative or similar services at a hospital with Consent of the Members; (ii) maintaining staff privileges at hospitals other than Danbury Hospital or another hospital as approved by the Board; and (iii) the continued participation and membership in Danbury Surgical Center, Danbury, Connecticut, by one or more of the Class A Members.

(b) Class B Member.

(i) The SCA Member agrees that for so long as it is a Member of the Company, neither the SCA Member nor any of its Affiliates, other than through the Company or as otherwise contemplated by this Section 10.11(b), shall, directly or indirectly, own, manage, operate, control or participate in any manner in the ownership, management, operation or control of, or have any financial interest in, an outpatient surgical facility whose primary business focus is orthopedic, spine or pain-related surgical procedures (each, an "**SCA Competing Facility**"), that is located both (i) within ten (10) miles of the Center and (ii) within the borders of the State of Connecticut (the "**SCA Restricted Area**"). For the purposes of this Section 10.11(b), an outpatient surgical facility shall be construed to have a primary business focus in orthopedic, spine or pain-related surgical procedures if at least fifty-one percent (51%) of the surgical case volume of such facility during any consecutive twelve (12) month period is from orthopedic, spine and pain-related surgical procedures in the aggregate.

(ii) Notwithstanding anything to the contrary in this Section 10.11(b), nothing shall prohibit or restrict the SCA Member or its Affiliates from (i) holding an ownership interest in, or having a contractual arrangement for the management or operation of, Danbury Surgical Center, Limited Partnership, a Connecticut limited partnership ("**DSC**"), or any successor in interest thereof, or (ii) acquiring or holding an interest in an SCA Competing Facility that is acquired in connection with a transaction involving the acquisition of multiple healthcare facilities, provided that the net revenue generated by the acquired SCA Competing Facility did not represent greater than fifty percent (50%) of the total net revenues generated by all healthcare facilities acquired in

such transaction, during the trailing twelve (12) month period immediately preceding the closing of such transaction.

(iii) A breach of the covenants in this Section 10.11(b) may result in material damages to the Company and the Class A Members and shall entitle the Company and the Class A Members to recover damages in addition to the other remedies and rights provided herein. The Company and the Class A Members shall have the right periodically to audit the books and records of the SCA Member or its Affiliates solely for the purpose of confirming whether a facility that would otherwise meet the definition of an SCA Competing Facility actually derives fifty-one percent (51%) or more of its case volume during any consecutive twelve (12) month period from orthopedic, spine and pain-related surgical procedures in the aggregate.

16. Limited Call Right of Class A Members. The following new Section 10.15 (Limited Call Right of Class A Members) shall be added to the end of Article X:

10.15 Limited Call Right of Class A Members.

(a) If, prior to January 16, 2019 (the "**Expiration Date**"), both of the following have acquired direct or indirect ownership interests in DSC (an "**SCA Triggering Event**"), the Class A Members shall have the call rights specified below in this Section 10.15:

(i) Western Connecticut Health Network, a Connecticut non-stock corporation, or one of its affiliates; and

(ii) At least six (6) or more Physicians, in the aggregate, who are members of a single orthopedic or spine physician practice group whose other group member(s) are not currently investors in DSC or another ambulatory surgical facility located within the SCA Restricted Area.

(b) Upon the occurrence of an SCA Triggering Event, the SCA Member shall notify the Class A Members of the occurrence of such SCA Triggering Event (the "**Triggering Event Notice**") as soon as reasonably practicable but in no event more than five (5) days following the occurrence of such event. Upon receipt of such notice, the Class A Members may, upon Two-Thirds Physician Vote, elect to purchase all, but not less than all, of the SCA Member's Units in the Company (the "**Call Right**").

(c) To exercise the Call Right, the Class A Members must deliver written notice of their intent to exercise the Call Right (the "**Call Notice**"), within thirty (30) days after receipt of the Triggering Event Notice (the "**Option Period**"). Upon the expiration of the Option Period, the Call Right shall expire automatically, and the Class A Members shall be deemed to have knowingly waived the Call Right. For the sake of clarification, in no event shall the Class A Members be permitted to

exercise the Call Right at any time more than thirty (30) days after the Expiration Date.

(d) If the Class A Members issue a Call Notice prior to the expiration of the Option Period, the SCA Member shall be obligated to sell all, but not less than all, of its Units in the Company to the Class A Members.

(e) If the Class A Members exercise the Call Option, the aggregate purchase price payable to the SCA Member for its Units in the Company shall be calculated as follows:

(i) If the Call Option is exercised prior to May 1, 2018, the purchase price shall be equal to the aggregate gross purchase price paid by the SCA Member to acquire such Units under the Purchase Agreement; and

(ii) If the Call Option is exercised after May 1, 2018, the parties shall promptly and jointly engage a mutually acceptable independent, third-party valuation firm to determine the fair market value of the SCA Member's Units, and the purchase price shall be equal to the amount determined by such valuation firm.

(f) The Class A Members shall have two hundred seventy (270) days from the date on which a Call Notice is delivered to the SCA Member to close the acquisition of the SCA Member's Units.

(g) At the closing of any purchase of the SCA Member's Units under this Section 10.15, the SCA Member shall transfer and sell the Units to the Class A Members pursuant to one or more Membership Interest Purchase Agreements in substantially similar form to the Purchase Agreement.

(h) In the event that the Class A Members have not completed the purchase of the SCA Member's Units hereunder within such two hundred seventy (270) day period, the Class A Members shall be deemed to have knowingly waived the Call Right, and the Class A Members shall no longer have the right to exercise the Call Right.

(i) The parties expressly acknowledge and agree that the Call Right shall be the sole right and remedy of the Class A Members in the event of the occurrence of an SCA Triggering Event.

17. Transfers by the SCA Member. The following new Section 10.16 (Transfers by the SCA Member) shall be added to the end of Article X:

10.16 Transfers by the SCA Member. Notwithstanding anything herein to the contrary, the SCA Member may freely Transfer Units held by it to an entity or entities that are wholly-owned, directly or indirectly, by SCA, and any such Transfer shall be deemed to comply with the requirements of this Article.

18. Certain Restrictions. The following new Section 10.17 (Certain Restrictions) shall be added to the end of Article X:

> 10.16 Certain Restrictions. The Class A Members acknowledge and agree that through December 31, 2018, the SCA Member will not participate in the recruitment of, or vote to admit as a Member of the Company, any of the neurosurgeons, otolaryngologists or urologists who have been in discussions with SCA prior to the Phase I Closing Date to join DSC as limited partners. The Class A Members covenant that they will not take any action against the SCA Member for its unwillingness to participate in the recruitment of any such physicians or its refusal to vote for the admission of any such physicians as Members of the Company.

19. Offsets to Distributions. A new Section 6.11 (Offsets to Distributions) shall be added to the end of Article VI as follows:

> 6.11 Offsets to Distributions. Notwithstanding any other provisions of this Agreement, each Member hereby acknowledges and agrees that (i) the Company may, upon the written request of an Indemnified Member (as defined below), offset against a Member's future distributions of profits from the Company an amount necessary to satisfy any unpaid indemnification obligations of such Member (the "**Indemnifying Member**") to any other Member (the "**Indemnified Member**") under the Purchase Agreement in accordance with the procedures set forth in the Purchase Agreement, and pay the amount so offset (the "**Offset Amount**") to the Indemnified Member, and (ii) any Offset Amount paid to the Indemnified Member shall be applied against the amount of any Losses (as defined in the Purchase Agreement) payable by such Indemnifying Member to such Indemnified Member under Article XII of the Purchase Agreement and shall reduce, on a dollar-for-dollar basis, the remaining amount of any Losses payable by such Indemnifying Member to such Indemnified Member under Article XII of the Purchase Agreement. Upon receipt of a request for indemnification under Article XII of the Purchase Agreement, the Company will retain a portion of the Indemnifying Member's future distributions otherwise owed to the Indemnifying Member, until such time as the claim for indemnification is fully and finally resolved.

20. Legal Representation by New Members' Counsel. Section 13.19 (Legal Representation by New Members' Counsel) shall be deleted in its entirety.

21. Effect on Operating Agreement; General Provisions. Except as set forth in this Amendment, the terms and provisions of the Operating Agreement are hereby ratified and declared to be in full force and effect. This Amendment shall be governed by the provisions of the Operating Agreement; provided, however, to the extent that the terms of this Amendment and the Operating Agreement conflict, the terms of this Amendment shall control. The execution of this Amendment may occur in two or more counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument. In addition, the parties may execute counterparts of this Amendment and transmit their signatures via facsimile or other electronic method, and such signatures received via facsimile or other electronic method shall have the same force and effect as an original. Captions and paragraph headings are used herein for convenience only, are not a part of this Amendment or the Operating Agreement as amended by this Amendment, and shall not be used in construing either document. On and after the date first written

above, each reference in the Operating Agreement to "this Agreement," "hereunder," "hereof," "herein," or words of like import, and each reference in the other documents and agreements relating to the Operating Agreement, shall mean and be a reference to the Operating Agreement as amended by this Amendment.

[Signature page follows]

IN WITNESS WHEREOF, this Amendment has been duly executed as of Amendment Effective Date.

SCA MEMBER:

SCA-WESTERN CONNECTICUT, LLC

By: _____
Name: Richard L. Sharff, Jr.
Title: Vice President

CLASS A MEMBERS:

_____
Michael G. Brand, M.D.

_____
Angelo M. Ciminiello, M.D.

_____
Robert T. Deveney, M.D.

_____
Joseph DiGiovanni, M.D.

_____
D. Ross Henshaw, M.D.

_____
John G. Lunt, M.D.

_____
John P. Dunleavy, M.D.

_____
Frank U. Hermantin, M.D.

[Signature Page to First Amendment to Operating Agreement]

Randolph Sealey, Jr., M.D.

Robert Yaghoubian, M.D.

John Mullen, M.D.

Phillip Mulieri, M.D.

David Bomback, M.D.

David Kramer, M.D.

EXHIBIT A

WESTERN CONNECTICUT ORTHOPEDIC SURGICAL CENTER, LLC

MEMBERSHIP UNITS

MEMBER	UNITS OWNED	PERCENTAGE OF OWNERSHIP INTEREST
CLASS A MEMBERS		
Michael G. Brand, M.D.	5.00 Units	5.00%
Angelo M. Ciminiello, M.D.	5.00 Units	5.00%
Robert T. Deveney, M.D.	5.00 Units	5.00%
Joseph DiGiovanni, M.D.	5.00 Units	5.00%
D. Ross Henshaw, M.D.	5.00 Units	5.00%
John G. Lunt, M.D.	5.00 Units	5.00%
John P. Dunleavy, M.D.	3.68 Units	3.68%
Frank U. Hermantain, M.D.	3.68 Units	3.68%
Randolph Sealey, Jr., M.D.	3.68 Units	3.68%
Robert Yaghoubian, M.D.	1.84 Units	1.84%
John Mullen, M.D.	1.84 Units	1.84%
Phillip Mulieri, M.D.	2.70 Units	2.70%
David Bomback, M.D.	1.80 Units	1.80%
David Kramer, M.D.	1.80 Units	1.80%
CLASS B MEMBERS		
SCA-Western Connecticut, LLC	49.00 Units	49.0000%
TOTAL	100.00 Units	100%

EXHIBIT D

SECOND AMENDED AND RESTATED OPERATING AGREEMENT

See attached.

THE MEMBERSHIP INTERESTS ISSUED UNDER THIS AGREEMENT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 ("**33 ACT**") OR UNDER THE CONNECTICUT UNIFORM SECURITIES ACT, AS AMENDED ("**STATE ACT**"), AND MAY BE OFFERED OR SOLD BY A PURCHASER OF THE MEMBERSHIP INTERESTS ONLY (1) UPON REGISTRATION OF THE MEMBERSHIP INTERESTS UNDER THE '33 ACT AND THE STATE ACT OR PURSUANT TO AN EXEMPTION THEREFROM, AND (2) AFTER COMPLIANCE WITH ALL RESTRICTIONS ON TRANSFER OF MEMBERSHIP INTERESTS IMPOSED BY THIS AGREEMENT.

SECOND AMENDED AND RESTATED OPERATING AGREEMENT OF WESTERN CONNECTICUT ORTHOPEDIC SURGICAL CENTER, LLC

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SECOND AMENDED AND RESTATED
OPERATING AGREEMENT
OF
WESTERN CONNECTICUT ORTHOPEDIC SURGICAL CENTER, LLC

This Second Amended and Restated Operating Agreement is made and entered into as of May 1, 2017, to be effective as of the Effective Date, by and among those persons who are or may become Members under the terms of this Agreement and each Interest Holder.

The parties hereto agree as follows:

This Agreement amends and restates in its entirety that certain Amended and Restated Operating Agreement of the Company dated June 28, 2013, as amended by that certain First Amendment to Amended and Restated Operating Agreement dated May 1, 2017.

I. DEFINITIONS

When used in this Agreement, the following terms shall have the meanings set forth below:

1.1 "**Act**" means the Connecticut Limited Liability Company Act, as amended from time to time.

1.2 "**Adjusted Capital Account**" means, with respect to any Member, such Member's Capital Account as of the end of the relevant Allocation Period, after giving effect to the following adjustments:

(a) Credit to such Capital Account those amounts, if any, that such Member is deemed obligated to restore pursuant to the penultimate sentences of Regulations Sections 1.704-2(g)(1) and 1.704-2(i)(5); and

(b) Debit to such Capital Account the items described in Regulations Sections 1.704-1(b)(2)(ii)(d)(4), 1.704-1(b)(2)(ii)(d)(5), and 1.704-1(b)(2)(ii)(d)(6).

The foregoing definition of Adjusted Capital Account Deficit is intended to comply with the provisions of Regulations Section 1.704-1(b)(2)(ii)(d) and shall be interpreted consistently therewith.

1.3 "**Adjusted Capital Account Deficit**" means, with respect to any Member, the deficit balance, if any, in such Member's Adjusted Capital Account.

1.4 "**Adverse Buy/Sell Event**" means each Buy/Sell Event listed in Sections 10.5(b).

1.5 "**Adverse Event Purchase Price**" means fifty percent (50%) of the Fair Market Value Transfer Price.

1.6 "**Affiliate**" of a specified Person or entity shall mean a Person or entity that directly or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the Person or entity specified; provided, however, that with respect to the SCA Member, the term "Affiliate" shall include only SCA and those entities in which SCA directly or indirectly holds a controlling ownership interest. As used in this definition, the term "control" shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such specified Person or entity, whether through ownership of voting securities, by contract or otherwise.

1.7 "**Agreement**" means this Second Amended and Restated Operating Agreement, as amended from time to time.

1.8 "**Allocation Period**" means, unless otherwise required pursuant to the Code and Regulations, the period commencing on the Effective Date and ending on the first December 31, (ii) any subsequent twelve (12) month period commencing on January 1 and ending on December 31, (iii) any portion of the period described in clauses (i) or (ii) for which the Company is required to allocate Profits, Losses and other items of Company income, gain, loss, deduction or other items pursuant to this Agreement, or (iv) any other period reasonably determined by the Board of Managers as appropriate for a closing of the Company's books.

1.9 "**Articles**" has the meaning set forth in Section 2.1 hereof.

1.10 "**Assignee**" means a transferee of Units or any successor to a Member by operation of law, who has not, in either case, been admitted as a substitute Member.

1.11 "**Assignee Purchase Notice**" has the meaning set forth in Section 10.10 hereof.

1.12 "**Assignee Units**" has the meaning set forth in Section 10.10 hereof.

1.13 "**Available Cash Flow**" means all cash funds of the Company on hand at the end of each calendar month less (a) provision for payment of all outstanding and unpaid current cash obligations of the Company at the end of such month (including those which are in dispute); (b) provision for reserves and working capital for reasonably anticipated cash expenses and contingencies (which may include debt service on Company indebtedness and fees payable to the SCA Member or its Affiliates) as determined by the Board of Managers in its sole discretion; provided, however, that in no event shall the total amount of reserves and working capital exceed $100,000 for purposes of calculating Available Cash Flow, unless otherwise approved by a Supermajority of the Board; (c) provisions for payment of any outstanding balance under the Overdraft Line of Credit; and (d) Sale Proceeds; provided, however, that proceeds described in subsection (d) are distributed separately under Section 8.11.

1.14 "**Benefit Plan Investor Ownership Limitation**" means Benefit Plan Investors own, in the aggregate, a twenty-five percent (25%) or greater interest in the Company without regard to any interest owned by the SCA Member and its Affiliates, or the ownership interest of any other Person who has discretionary control with respect to the assets of the Company or who provides investment advice to the Company for a fee.

1.15 "**Benefit Plan Investors**" shall have the meaning set forth in the ERISA Regulation set forth in 29 C.F.R. §2510.3-101(f)(2), as amended, or any successor regulation thereto.

1.16 "**Board**" or "**Board of Managers**" means the Managers, collectively, of the Company.

1.17 "**Buy/Sell Event**" has the meaning set forth in Section 10.5 hereof.

1.18 "**Buy/Sell Notice**" has the meaning set forth in Section 10.7 hereof.

1.19 "**Capital Account**" means, with respect to any Member, the capital account maintained by the Company for such Member in accordance with Section 6.8 of the Agreement.

1.20 "**Capital Call**" has the meaning set forth in Section 6.3 hereof.

1.21 "**Capital Contribution**" in respect of any Member or transferee of such Member means all property, tangible or intangible, contributed by such Member to the capital of the Company.

1.22 "**Center**" means the ambulatory surgery center located at 226 White Street, Danbury, Connecticut.

1.23 "**Closing**" has the meaning set forth in Section 10.11 hereof.

1.24 "**Closing Payment**" has the meaning set forth in Section 10.11(b) hereof.

1.25 "**Code**" means the Internal Revenue Code of 1986, as amended, or any corresponding provisions of succeeding law in effect at such time.

1.26 "**Company**" means the limited liability company formed pursuant to this Agreement.

1.27 "**Company Percentage**" means, in the case of any Member, a fraction, stated as a percentage, with a numerator equal to the number of Units held by such Member and a denominator equal to the number of Units held by all Members.

1.28 "**Company Return**" means the U.S. Return of Partnership Income of the Company.

1.29 "**Competing Facility**" has the meaning set forth in Section 15.1 hereof.

1.30 "**Confidential Business Information**" has the meaning set forth in Section 15.6 hereof.

1.31 "**Covered Person**" means each Interest Holder, and each Member other than the SCA Member and its Affiliates.

1.32 "**Disability**" means inability or other failure of a Physician Interest Holder, by reason of mental or physical illness, disease or injury, to perform his or her usual and customary professional duties with a standard of care that would be exercised by a reasonable professional with the same medical practice, including performing outpatient surgical procedures, for a minimum period of six (6) consecutive months or six (6) months cumulatively in any twelve (12) month period, as determined by a Physician mutually agreeable to the Board and the Member in question.

1.33 "**Economic Risk of Loss**" has the meaning assigned to that term in Regulation Section 1.752-2(a).

1.34 "**EBITDA**" (a) means earnings before interest, taxes, depreciation and amortization for the applicable period, calculated as follows: the Net Income of the Company, plus the following, each determined in accordance with GAAP, without duplication and to the extent deducted from Net Income: (i) interest expense, (ii) federal, state and local income tax expense, (iii) depreciation and (iv) amortization of intangible assets and other non-cash charges; and (b) shall be calculated without regard to (i) any extraordinary gain or loss or (ii) any non-recurring or non-operating items related to activities outside the ordinary course of business.

1.35 "**Effective Date**" shall mean the date on which the Phase II Closing occurs, as that term is defined in the Purchase Agreement.

1.36 "**Entity Member**" means a professional association, professional corporation, partnership, limited liability company, corporation, trust, benefit plan or other such entity, other than the SCA Member

or its Affiliates, that is a Member. All Interest Holders of an Entity Member must be Physicians who meet the Physician Interest Holder Eligibility Requirements.

1.37 "**ERISA**" means the Employee Retirement Income Security Act of 1974, as amended.

1.38 "**Estimated Purchase Price**" has the meaning set forth in Section 10.11(b) hereof.

1.39 "**Extension of Practice Requirements**" has the meaning set forth in Section 15.4(b).

1.40 "**Fair Market Value Transfer Price**" as of any date means the amount calculated according to the following formula: the product of EBITDA for the twelve (12) month period ending on the last day of the immediately preceding month as of such date multiplied by three (3), less any Interest Bearing Debt as of the last day of the immediately preceding month of such date.

1.41 "**Final Purchase Price**" has the meaning set forth in Section 10.11(b) hereof.

1.42 "**Fiscal Year**" means the period designated as such in Section 12.3 hereof.

1.43 "**Force majeure**" has the meaning set forth in Section 17.11 hereof.

1.44 "**GAAP**" means generally accepted accounting principles, as consistently applied by the Board of Managers.

1.45 "**Health Care Program Adverse Event**" means the suspension, debarment, exclusion or termination of a Physician Interest Holder from the Medicare or Medicaid programs or other federal or state health care programs, or the imposition of any civil monetary penalties or other punishment by a government program against a Physician Interest Holder.

1.46 "**Indemnified Member**" has the meaning set forth in Section 8.17 hereof.

1.47 "**Indemnifying Member**" has the meaning set forth in Section 8.17 hereof.

1.48 "**Interest Bearing Debt**" means the principal amount of any notes payable or other indebtedness of the Company, provided that such indebtedness is reflected on the balance sheet of the Company.

1.49 "**Interest Holder**" means a Person who (a) is a member, shareholder, partner or other owner (either directly or indirectly) of an Entity Member or (b) created, is a beneficiary or grantor of, or is the trustee of a trust that is a Member.

1.50 "**Interest Holder's Proportionate Units**" means the number of Units held by an Entity Member that is attributable to an Interest Holder based on such Interest Holder's (direct or indirect) ownership percentage interest in the Entity Member, which in the case of a Interest Holder described in (b) of Section 1.49 shall be deemed one hundred percent (100%) unless a lesser percentage is approved by the Board of Managers.

1.51 "**Manager**" means the Person or Persons so named as part of or elected to the Board of Managers pursuant to this Agreement.

1.52 "**Medical Executive Committee**" has the meaning set forth in Section 9.10 hereof.

1.53 "**Member**" means each Person designated as a Member of the Company on **Schedule A** hereto as of the Effective Date, including the SCA Member, or any other Person admitted as a Member of the Company in accordance with this Agreement or the Act. "**Members**" refers to such Persons as a group.

1.54 "**Member Nonrecourse Debt**" has the same meaning as the term "partner nonrecourse debt" set forth in Regulations Section 1.704-2(b)(4).

1.55 "**Member Nonrecourse Deductions**" has the same meaning as the term "partner nonrecourse deductions" set forth in Regulations Sections 1.704-2(i)(1) and 1.704-2(i)(2).

1.56 "**Net Book Value Purchase Price**" means fifty percent (50%) of the Tangible Net Book Value.

1.57 "**Net Income**" means net income (or loss), calculated in accordance with GAAP, which shall include a deduction of the annual management fees, and shall not include extraordinary and nonrecurring items (and corresponding tax consequences) and income or loss attributable to discontinued operations.

1.58 "**Non-Adverse Buy/Sell Event**" means any Buy/Sell Event that is not an Adverse Buy/Sell Event.

1.59 "**Non-Contributing Member**" has the meaning set forth in Section 6.3 hereof.

1.60 "**Note**" has the meaning set forth in Section 10.11(a).

1.61 "**Offset Amount**" has the meaning set forth in Section 8.17 hereof.

1.62 "**Outpatient Surgical Procedures**" has the meaning set forth in Section 15.4(b).

1.63 "**Overdraft Line of Credit**" has the meaning set forth in the Management Agreement.

1.64 "**Partnership Representative**" (i) for taxable years beginning on or prior to December 31, 2017, has the meaning of a "tax matters partner" set forth in Code Section 6231 and any comparable provisions of foreign, state and local income tax laws and (ii) for taxable years beginning after December 31, 2017, has the meaning of a "partnership representative" set forth in Section 6223(a) of the Code and any comparable provisions of foreign, state and local income tax laws.

1.65 "**Person**" means an individual, trust, estate, corporation, partnership, limited partnership, limited liability company, unincorporated association or other entity or association.

1.66 "**Physician**" means a Person defined as set forth in 42 U.S.C. §1395x(r) who is licensed to practice medicine in Connecticut.

1.67 "**Physician Interest Holder**" means (a) a Member who is a Physician or (b) an Interest Holder who is a Physician.

1.68 "**Physician Interest Holder Eligibility Requirements**" has the meaning set forth in Section 15.5(b).

1.69 "**Profits**" and "**Losses**" means, for each Allocation Period, an amount equal to the Company's taxable income or loss for such Allocation Period, determined in accordance with Code Section 703(a) (for this purpose, all items of income, gain, loss, or deduction required to be stated separately

pursuant to Code Section 703(a)(1) shall be included in taxable income or loss), with the following adjustments:

(a) Any income of the Company that is exempt from federal income tax and not otherwise taken into account in computing Profits or Losses pursuant to this Section 1.69 shall be added to such taxable income or loss;

(b) Any expenditures of the Company described in Code Section 705(a)(2)(B) or treated as Code Section 705(a)(2)(B) expenditures pursuant to Regulations Section 1.704-(1)(b)(2)(iv)(i), and not otherwise taken into account in computing Profits or Losses pursuant to this Section 1.69 shall be subtracted from such taxable income or loss;

(c) If the book value of property is adjusted pursuant to Regulations Sections 1.704-1(b)(2)(iv)(f) or (e), such adjustment shall be taken into account as gain or loss from the disposition of an asset and, in lieu of depreciation as calculated for federal income tax purposes, subsequently such deductions shall be computed in accordance with Regulations Sections 1.704-1(b)(2)(iv)(g)(3) or 1.704-3(d)(2), as the case may be. Subsequent calculations of gain or loss resulting from the disposition of an asset for federal income tax purposes shall be computed by reference to its book value as reflected in Members' Capital Accounts rather than its adjusted tax basis;

(d) To the extent an adjustment to the adjusted tax basis of any Company asset pursuant to Code Section 734(b) or 743(b) is required to be taken into account in determining Capital Accounts as a result of a distribution other than in complete liquidation of a Member's interest in accordance with Regulations Section 1.704-1(b)(2)(iv)(m)(4), the amount of such adjustment to the Capital Accounts shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases such basis) from the disposition of the asset and shall be taken into account for purposes of computing Profits and Losses; and

(e) Any items which are specially allocated pursuant to Section 8.3, Section 8.4, Section 8.5 and Section 8.6 hereof shall not be taken into account in computing Profits or Losses.

The amounts of items of Company income, gain, loss, and deduction available to be specifically allocated pursuant to Section 8.3, Section 8.4, Section 8.5 and Section 8.6 hereof shall be determined by applying rules analogous to those set forth in Subparagraphs (a) through (e) above.

1.70 "**Purchase Agreement**" means that certain Membership Interest Purchase Agreement by and among the SCA Member, the Company, certain of the Members, Merritt Healthcare Holdings, LLC, Merritt Healthcare Holdings Danbury, LLC, and SCA, dated effective as of May 1, 2017.

1.71 "**Purchase Notice**" has the meaning set forth in Section 10.8 hereof.

1.72 "**Regulations**" means the Income Tax Regulations promulgated under the Code, as such regulations may be amended from time to time (including corresponding provisions of succeeding regulations).

1.73 "**Regulatory Allocations**" has the meaning set forth in Section 8.6 hereof.

1.74 "**Repurchase Failure Notice**" has the meaning set forth in Section 10.12 hereof.

1.75 "**Repurchase Period**" has the meaning set forth in Section 10.12 hereof.

1.76 "**Responsible Party**" has the meaning set forth in Section 16.3 hereof.

1.77 "**Restricted Period**" means (a) in the case of a Member, the period commencing on the date he or she becomes a Member and ending on the second (2nd) annual anniversary of the date such Member is no longer a Member, and (b) in the case of an Interest Holder that is not directly a Member, means the period commencing on the date that he or she becomes an Interest Holder in an Entity Member and ending on the later of (i) the second (2nd) annual anniversary of the date such Interest Holder ceased to be an Interest Holder of the Entity Member, or (ii) the second annual anniversary of the date such Entity Member ceased to be a Member.

1.78 "**Retirement**" shall mean when a Physician Interest Holder ceases to practice medicine and publicly announces such retirement or, if he or she does not publicly announce such retirement, the Board of Managers shall have determined that such person no longer practices medicine or performs ambulatory surgical procedures on at least a substantially full-time basis (i.e., at least thirty-five (35) hours per week for at least forty (40) weeks per year).

1.79 "**Sale Proceeds**" means all proceeds of any sale, exchange, foreclosure, abandonment, financing or refinancing of capital assets of the Company, or from condemnation awards or casualty insurance claims, less applicable expenses and any debt paid or prepaid with the proceeds of or in connection with such transaction occurring upon the liquidation of the Company or sale of all or substantially all of the Company's assets outside the ordinary course of business.

1.80 "**SCA**" means Surgical Care Affiliates, LLC, a Delaware limited liability company and the indirect owner of the SCA Member, and its successors in interest.

1.81 "**SCA Member**" means SCA-Western Connecticut, LLC, a Delaware limited liability company, and any successor entity.

1.82 "**Supermajority of the Board**" means the affirmative vote of four (4) of the five (5) Members of the Board.

1.83 "**Supermajority of the Members**" means a vote requiring the approval of (i) the SCA Member and (ii) the Members holding at least fifty percent (50%) of the Units then held by all Members other than the SCA Member.

1.84 "**Tangible Net Book Value**" means the net assets of the Company, less current and long-term liabilities and less any intangible asset that appears on the Company's balance sheet, including, without limitation, goodwill, each determined in accordance with GAAP.

1.85 "**Tax Distribution**" has the meaning set forth in Section 8.10.

1.86 "**Tax Matters Partner**" means the party responsible for certain tax responsibilities for the Company as set forth in Section 9.8 hereof.

1.87 "**Transfer**" (and its derivations) means any involuntary or voluntary sale, lease, pledge, assignment, grant of a security interest, subcontract, dividend, merger, consolidation, gift or other disposition, direct or indirect, by operation of law or otherwise.

1.88 "**Two-Thirds Physician Vote**" has the meaning set forth in Section 7.3.

1.89 "**Unit**" means an interest as a Member in the capital and profit and losses of the Company. The Board of Managers, in its sole discretion, may increase the number of Units. Units may be offered and sold in fractional increments.

1.90 "**Withdrawing Member**" has the meaning set forth in Section 10.7.

1.91 "**Withdrawing Member's Units**" has the meaning set forth in Section 10.11 hereof.

II. ORGANIZATION

2.1 Formation. The Company was previously formed as a limited liability company under and pursuant to the Act, by filing articles of organization (the "**Articles**") with the Secretary of State of Connecticut. The parties desire to cause the Company to continue in effect in accordance with the terms of this Agreement. The Board of Managers shall cause any amendments to the Articles to be filed of record and in such places as required by the Act to protect the status of the Company as a limited liability company doing business in Connecticut and as otherwise required by law.

2.2 Name. The name of the Company is Western Connecticut Orthopedic Surgical Center, LLC. The business of the Company may be conducted under such other name as the Board of Managers may determine.

III. PRINCIPAL PLACE OF BUSINESS

3.1 Principal Place of Business. The principal place of business of the Company shall be located at the Center, or at such other place as the Board of Managers may from time to time designate.

3.2 Registered Office. The registered office of the Company shall be the address designated by the Board of Managers.

3.3 Registered Agent. The Registered Agent of the Company shall be CT Corporation.

IV. BUSINESS

The business to be conducted by the Company shall be to own and operate the Center, and to carry on any and all activities necessary, proper, convenient, or advisable in connection therewith.

V. TERM

The Company shall be perpetual, unless terminated earlier pursuant to Article XI of this Agreement.

VI. CAPITAL CONTRIBUTION AND CAPITAL ACCOUNTS OF MEMBERS

6.1 Capital Contribution of the SCA Member. The SCA Member, or its respective predecessors in interest, has previously made a Capital Contribution to the Company in exchange for its Units or has acquired its Units from another Member. The number of Units held by the SCA Member as of the Effective Date is set forth on **Schedule A**.

6.2 Capital Contributions of the Other Members. The Members other than the SCA Member, or their respective predecessors in interest, have previously made a Capital Contribution to the Company in exchange for Units or have acquired their Units from another Member. The number of Units held by each of the Members other than the SCA Member as of the Effective Date is set forth on **Schedule A**.

6.3 Additional Capital Contributions. In the event that the Board of Managers determines at any time (or from time to time) that additional funds are required by the Company for or in respect of its business or to pay any of its obligations, expenses, costs, liabilities or expenditures (including, without limitation, any operating deficits), then upon approval of a Supermajority of the Board, the Board may require the Members to contribute additional capital to the Company in proportion to their Company Percentage ("**Capital Call**"). If any Member fails to contribute his, her or its pro rata share of any Capital Call within ten (10) days of receipt of written notice from the Board of Managers (a "**Non-contributing Member**"), the SCA Member may, if it has made its additional contribution hereunder make the additional contribution that such Non-contributing Member has failed to make in exchange for Units. Under such circumstances, the Board of Managers shall adjust the Company Percentage and Unit ownership of the Members to the extent necessary in accordance with the following formula: Each Member's adjusted Units shall be determined by multiplying the total outstanding Units times each Member's adjusted Company Percentage. Each Member's adjusted Company Percentage shall be equal to the quotient of (a) the sum of (i) the fair market value of the Company, as determined by the Board of Managers in good faith immediately prior to the applicable Capital Contribution, multiplied by each Member's Company Percentage at the time of the additional Capital Contribution, plus (ii) the amount, if any, of such Member's additional Capital Contribution actually contributed, divided by (b) the total fair market value of the Company, as determined by the Board of Managers in good faith immediately after the applicable Capital Contribution. The formula set out in the paragraph is summarized below for illustration purposes.

> Total Outstanding Units x ((FMV Pre-contribution x each Member's Company Percentage) + each Member's Capital Contribution)/FMV Post-Contribution.

The Board of Managers is hereby authorized to amend **Schedule A** to reflect the number of Units held by each Member in accordance with the terms of this Section.

6.4 Limited Liability. A Member shall not be bound by, or personally liable for, the expenses, liabilities or obligations of the Company, except as provided in the Act or as otherwise provided by applicable law. Notwithstanding the foregoing, in the event that SCA or a third party commercial lender requires a Member to guarantee the Company's obligations under a loan as a condition of financing and the Member agrees to do so, the Member shall be liable under the guaranty according to its terms.

6.5 Role of Members. Except as otherwise provided in this Agreement, no Member shall take part in or interfere in any manner with the conduct or control of the business of the Company and shall have no right or authority to act for or bind the Company.

6.6 Withdrawal of Capital Contributions. No Member shall have the right to withdraw or reduce his, hers or its Capital Contribution without the prior written consent of the Board of Managers. No Member shall have the right to demand or receive property other than cash in return for his, her or its Capital Contribution, and no Member shall have priority over any other Member, either as to the return of Capital Contributions or as to profits, losses or distributions.

6.7 Assessments and No Negative Capital Account Make-up. Other than as set forth in Section 6.3 hereof, Members will not be subject to additional assessments for contributions to the capital of the Company. Notwithstanding any other provision in this Agreement or any inference from any provision in this Agreement, no Member shall have an obligation to the Company, to the other Members or to third parties to restore a negative Capital Account balance during the existence of the Company or upon the dissolution or termination of the Company.

6.8 Creation and Maintenance of Capital Account. The Company shall establish and maintain a Capital Account for each Member for the full term of the Company. The Capital Account shall be increased by such Member's Capital Contribution and allocations of Profits and items thereof to such Member and decreased by distributions and allocations of Losses and items thereof to such Member and otherwise maintained in accordance with the capital account maintenance rules of Regulations Section 1.704-1(b)(2)(iv). Upon occurrence of any of the events specified in Regulations Section 1.704-1(b)(2)(iv)(f)(5), the Company shall revalue all of its assets and adjust the Capital Accounts to reflect such revaluation unless the Board of Managers reasonably determines that such adjustments are not necessary or appropriate to reflect the relative economic interests of the Members in the Company; further, all of the rules of Regulations Section 1.704-1(b)(2)(iv)(f) shall be complied with upon any such revaluation and Capital Account adjustment. If the Board of Managers determines that it is prudent or necessary to modify the manner in which the Capital Accounts, or any debits or credits thereto, are computed in order to comply with such Regulations, the Board of Managers may require the Company to make such modification, provided that it is not likely to have a material effect on the amounts distributable to any Member upon the dissolution of the Company. The Company shall make appropriate modifications required by the Board of Managers in the event unanticipated events might otherwise cause this Agreement not to comply with Regulations Section 1.704-1(b).

6.9 Admission of Additional Members.

a. The Company may admit additional Members upon the approval of, and on terms determined by, a Supermajority of the Board. Each additional Member shall deliver to the Board of Managers (a) a written agreement by the additional Member to be bound by all the terms and conditions of this Agreement, as amended from time to time, and (b) pay any additional capital that such additional Member has agreed to contribute. All such issuances shall be structured such that the amount paid for the Units is not less than fair market value, payments are made in cash and such that the issuance of Units does not take into account the potential value or volume of referrals to the Center of the additional Member.

b. Until such time as the SCA Member's Company Percentage is reduced to fifty-one percent (51%), if the Company issues additional Units (in accordance with the terms of this Agreement) in connection with the admission of additional Members, such issuance of additional Units shall have a dilutive effect on all Members, pro rata, in accordance with their Company Percentages immediately prior to the admission of the new Member(s). If the issuance of additional Units would cause the SCA Member's Company Percentage to fall below fifty-one percent (51%), then such issuance shall only have a dilutive effect on the existing Physician Interest Holders, pro rata, in accordance with their Company Percentages immediately prior to the admission of the new Member(s), and the SCA Member shall have a pre-emptive right (on the same terms and conditions as the additional Member(s), including price) to purchase such number of additional Units as will maintain the SCA Member's Company Percentage at fifty-one percent (51%).

6.10 Issuance of Replacement Units. In the event that the Company purchases the Units of any Member, such Units shall not cease to exist but shall remain available for the Company to resell. During the period after such Units are purchased by the Company and until they are resold, such Units shall not be deemed to be outstanding under this Agreement for any purposes (i.e., voting, receipt of distributions, etc.).

6.11 Redemption of Units from the SCA Member. In the event the Company redeems Units from the SCA Member in connection with an offering of Units to other Persons, the redemption price shall be equal to the gross proceeds received by the Company from the sale of Units in the offering, and the Company shall be responsible for any commission and fees associated with brokers or other third parties engaged by the Company.

VII. EXPENSES OF THE COMPANY

7.1 Organizational and Offering Expenses. All expenses incurred in connection with the formation of the Company and obtaining the Company's capital shall be paid by the Company.

7.2 Fees Receivable By An Affiliate of the SCA Member. The Company may contract with others, including Affiliates of the SCA Member, to perform services; provided, however, that contracts with Members of Affiliates of Members shall require approval by a Supermajority of the Board. Any such arrangements with Affiliates will be on terms that the Board of Managers believes to be fair and reasonable to the Company and generally not materially less favorable than could reasonably be realized with unaffiliated persons. In addition, Affiliates of the SCA Member will receive from the Company on the terms and conditions hereinafter set forth certain fees, which shall be in addition to the interest of the SCA Member in the Profit and Loss and Available Cash Flow of the Company. As of the Effective Date of this Agreement, arrangements with Affiliates of the SCA Member include, but are not limited to a management agreement by and between SCA and the Company dated as of May 1, 2017 (the "**Management Agreement**"), pursuant to which SCA provides (i) management services and staffing for the Center in exchange for the consideration set forth therein, and (ii) certain cash management services to the Company. Each Member hereby approves, consents to, and ratifies all the foregoing arrangements.

7.3 Breach of Management Agreement. The Physician Interest Holders, upon vote of the Physician Interest Holders holding two-thirds (2/3) of the Units then held by Physician Interest Holders ("**Two-Thirds Physician Vote**") may provide SCA with notice of a breach of the Management Agreement, and SCA shall have ninety (90) days to cure such breach. In the event SCA does not cure the breach within ninety (90) days of receipt of notice or in the event there is a dispute as to whether a breach occurred, the Physician Interest Holders, upon Two-Thirds Physician Vote, or the Board of Managers may initiate mediation to determine whether a breach occurred and, if so, what the damages are. If a dispute remains following the mediation, the Physician Interest Holders, upon Two-Thirds Physician Vote, or the Board of Managers may seek arbitration to determine whether a breach occurred and, if so, what the damages are; provided, however, that the award shall be limited to damages and not termination of the Management Agreement. The mediation and arbitration shall occur in Bridgeport, Connecticut. The mediation and arbitration costs and all reasonable expenses related to the mediation and arbitration (including reasonable legal fees) shall be paid by the Company.

7.4 Other Arrangements with Affiliates. Subject to Section 9.5, the Company may enter into agreements with Members or Affiliates of any Member, including, without limitation, the Management Agreement and a medical director agreement, and may extend, renew, amend, or modify such agreements in any respect, provided such actions are commercially reasonable and generally on such terms not materially less favorable than could reasonably be obtained with an unaffiliated third person and approved by a Supermajority of the Board.

VIII. ALLOCATION OF INCOME AND LOSS; CASH DISTRIBUTIONS

8.1 Profits. After giving effect to the special allocations set forth in Sections 8.3 through and including 8.8 for each Fiscal Year or other Allocation Period, Profits for each Fiscal Year or other Allocation Period shall be allocated as follows:

a. First, to the Members in proportion to and to the extent of the amount equal to the remainder, if any, of (i) the cumulative Losses allocated to each such Member (or such Member's predecessor in interest) pursuant to Section 8.2(b) for all prior Fiscal Years or other Allocation Periods, over (ii) the cumulative Profits allocated to each such Member (or such Member's

predecessor in interest) pursuant to this Section 8.1(a) for all prior Fiscal Years or other Allocation Periods.

b. Second, in accordance with the Members' Company Percentages.

8.2 Losses. After giving effect to the special allocations set forth in Sections 8.3 through and including 8.8 for each Fiscal Year or other Allocation Period, Losses for each Fiscal Year or other Allocation Period shall be allocated as follows:

a. First, in accordance with the Members' Company Percentages.

b. Second, the Losses allocated pursuant to Section 8.2(a) shall not exceed the maximum amount of Losses that can be so allocated without causing any Member to have an Adjusted Capital Account Deficit at the end of any Fiscal Year or other Allocation Period. In the event that some but not all of the Members would have Adjusted Capital Account Deficits as a consequence of the allocation of Losses pursuant to Section 8.2(b), the limitation set forth in this Section 8.2(b) shall be applied on a Member by Member basis and those Losses not allocable to a Member as a result of such limitation shall be allocated to the other Members in accordance with the positive balances in such Members' Adjusted Capital Accounts so as to allocate the maximum permissible losses to each Member under Regulations Section 1.704-1(b)(2)(ii)(d). Notwithstanding the first sentence of this Section 8.2(b), if no Member has a positive balance in its Adjusted Capital Account, then allocations of Losses that create an Adjusted Capital Account Deficit shall be permitted and such allocations of Losses shall be made to the Members in amounts in proportion to their Company Percentages.

8.3 Compliance with Treasury Regulations. The provisions of this Article VIII are intended to comply with Regulations Sections 1.704-1(b), 1.704-2, 1.704-3 and any successor regulations, and shall be defined and interpreted consistently with this intention and the Company shall make such special allocations reasonably determined necessary by the Board of Managers for the allocations of income and loss to be respected for federal income tax purposes pursuant to Regulations Section 1.704-1(b) and 1.704-2. This Article VIII is specifically intended to comply with the "alternate test for economic effect" under Regulations Section 1.704-1(b)(2)(ii) and thus all of the requirements necessary to comply with such test, including a qualified income offset, are incorporated herein by reference. In addition, the provisions in Regulations Section 1.704-2 pertaining to minimum gain chargebacks and non-recourse deductions are incorporated herein by reference.

8.4 Nonrecourse Deductions. Nonrecourse Deductions (as such term is defined in Regulations Section 1.704-2(b)) shall be specially allocated to and among the Members in accordance with their Company Percentages.

8.5 Member Nonrecourse Deductions. Any Member Nonrecourse Deductions for any Allocation Period shall be specially allocated to the Member who bears the Economic Risk of Loss with respect to the Member Nonrecourse Debt to which such Member Nonrecourse Deductions are attributable in accordance with Regulations Section 1.704-2(i)(1). If more than one Member bears the Economic Risk of Loss with respect to Member Nonrecourse Debt, Member Nonrecourse Deductions attributable thereto shall be allocated between or among such Members in accordance with the ratios in which they share such Economic Risk of Loss.

8.6 Corrective Allocations. The allocations provided in Sections 8.3, 8.4 and 8.5 above (the "**Regulatory Allocations**") are intended to comply with certain requirements of the Regulations. It is the intent of the Members that, to the extent possible, all Regulatory Allocations may be offset either with other

Regulatory Allocations or with special allocations of other items of Company income, gain, loss, or deduction pursuant to this Section 8.6. Therefore, notwithstanding any other provision of this Article VIII (other than the Regulatory Allocations), the Board of Managers may make such offsetting special allocations of Company income, gain, loss, or deduction in whatever manner it determines appropriate so that, after such offsetting allocations are made, each Member's Capital Account balance is, to the extent possible, equal to the Capital Account balance such Member would have had if the Regulatory Allocations were not part of the Agreement and all Company items were allocated pursuant to Sections 8.1, 8.2, 8.7, and 8.8, or as otherwise necessary to eliminate the economic distortions created by such Regulatory Allocations. In exercising its discretion under this Section 8.6, the Board of Managers shall take into account future Regulatory Allocations under the minimum gain chargeback and partner minimum gain chargeback incorporated into this Agreement by Section 8.3 that, although not yet made, are likely to offset other Regulatory Allocations previously made under Section 8.4 and under the allocation of partner nonrecourse debt incorporated herein by Section 8.3.

8.7 Allocations in Event of Recharacterization or Imputed Interest Transactions. In the event that any otherwise deductible payment made by the Company to a Member or an Affiliate of a Member is recharacterized as a distribution from the Company, then the Member which is deemed to have received the distribution shall be allocated items of Company income or gain for such Fiscal Year or other Allocation Period (and, if necessary for subsequent Fiscal Years) in an amount equal to the distribution. In addition, if, pursuant to the Code or Regulations, a Member recognizes imputed interest income as a result of a transaction between such Member and the Company, such Member shall be allocated any related Company deduction for such imputed interest.

8.8 Allocations Upon Liquidation. After giving effect to any allocations required by Sections 8.3, 8.4, 8.5, 8.6, and 8.7 upon the liquidation of the Company (and in any Fiscal Year prior to the year in which the Company liquidates if the Board of Managers reasonably determines it necessary or appropriate to do so in order to achieve the objectives set forth in this Section 8.8), all items of income, gain, loss, and deduction shall be allocated among the Members to cause the ending Capital Account balance of each Member to equal, as near as reasonably practicable, an amount equal to the distribution that is anticipated to be distributed to each such Member under Sections 8.10 and 8.11, assuming for purposes of this Section 8.8 that all such distributions pursuant to Sections 8.10 and 8.11 were made pro rata among the Members in accordance with their respective Company Percentages. If the items of Company income, gain, loss and deduction for the Fiscal Year in which the liquidation occurs are not sufficient to cause the ending Capital Account balance of each Member to equal such amount, the Company shall, to the extent permitted by Law, amend its income tax returns (including IRS Form 1065, "U.S. Return of Partnership Income") so as to cause the ending Capital Account of each Member to equal such amount. Such allocations shall be made among the Members according to the following ratio: (i) the difference between each Member's Capital Account and the amount of the anticipated distribution under Sections 8.10 and 8.11 (assuming such distribution pursuant to Sections 8.10 and 8.11 was pro rata among the Members in accordance with their respective Company Percentages) over (ii) the sum of such differences for all Members. Thereafter, all remaining items of income, gain, loss and deduction shall be allocated among the Members in accordance with their Company Percentages.

8.9 Tax Allocations: Code Section 704(c). Income, gain, loss and deduction as computed for income tax purposes with respect to Company property subject to Code Section 704(c) shall be allocated in accordance with said Code Section and/or Regulations Section 1.704-1(b)(4)(i), as the case may be, using any reasonable method specified in Regulations Section 1.704-3(b). Allocations pursuant to this Section 8.9 are solely for purposes of federal, state and local taxes and shall not affect, or in any way be taken into account in computing, any person's Capital Account or share of Profits and Losses, other items, or distributions pursuant to any provision of this Agreement.

8.10 Distributions of Available Cash Flow. Subject to Article VII, the Company shall distribute the Available Cash Flow to the Members pro rata in accordance with their respective Company Percentages. Such distributions shall be made in monthly installments on or before the fifteenth (15th) day of each month, with the first distribution being made on or before June 15, 2017, or at such other time or times as the Board of Managers shall deem practicable. Notwithstanding the foregoing, at a minimum the Company shall attempt to distribute to each of the Members, at least fifteen (15) days prior to the date on which a Physician Interest Holder is required to pay estimated federal income tax, an amount necessary for the Members to pay their estimated federal and state income tax obligations related to Company income (such amount, a "**Tax Distribution**"); provided, however, that all Tax Distributions shall be pro rata among the Members in accordance with their respective Company Percentages. If a distribution is in connection with the liquidation of the Company, such distribution shall be made in accordance with the penultimate sentence of Section 11.2. At the reasonable request of any Member, the Center's administrator shall provide such Member with an accounting of the Company's collection and payment activities.

8.11 Distributions of Sale Proceeds. Subject to the penultimate sentence in Section 11.2, the Company shall distribute any Sale Proceeds less provision for reserves and working capital for reasonably anticipated cash expenses and contingencies (which may include debt service on Company indebtedness and fees payable to SCA, the SCA Member or any of their Affiliates) as determined by the Board of Managers in its reasonable discretion. Such distribution shall be made in accordance with each Member's Company Percentage. Such distribution shall be made as soon after the receipt by the Company of Sale Proceeds as the Board of Managers deems practicable. Notwithstanding anything to the contrary above, in the event that the Company sells its assets for a combination of cash and notes, the Members, including the SCA Member, shall be entitled to (a) their proportionate share of the remaining cash required to be distributed under this Section, and (b) an undivided interest in each note received by the Company and shall be paid their proportionate share of principal and interest on such notes as the purchaser pays such amounts. If a distribution of Sale Proceeds is in connection with the liquidation of the Company, such distribution shall be made in accordance with the penultimate sentence of Section 11.2.

8.12 Consequences of Distributions. Upon the determination to distribute funds in any manner expressly provided in this Article VIII, made in good faith, the Board of Managers shall not incur any liability on account of such distribution, even though such distribution may have resulted in the Company retaining insufficient funds for the operation of its business which insufficiency resulted in loss to the Company or necessitated the borrowing of funds by the Company.

8.13 Tax Credits. Tax credits for any Fiscal Year or other Allocation Period shall be allocated among the Members in accordance with the Members' Company Percentages. Such allocations shall not be taken into account in computing any Member's Capital Account balance.

8.14 Member Admission Date. A purchaser of Units shall become a Member (a) with respect to Units sold by the Company on the date that both (i) his, her or its Capital Contribution is received by the Company, and (ii) the Board of Managers accepts such purchaser's subscription by signing the appropriate signature line of such purchaser's subscription agreement or (b) with respect to substitute Members purchasing Units in accordance with Article X hereof, on the date that the Board of Managers consents in writing to such Transfer of Units.

8.15 Allocation of Profits, Losses and Distribution In Respect of Units Transferred. If one or more Units are transferred or issued during any Fiscal Year of the Company, items of income, gain, loss, deduction and credit attributable to such Unit(s) for such Fiscal Year shall be divided and allocated between the transferor and the transferee based on the time each such party was, according to the books and records of the Company, the owner of record of the Unit(s) transferred during the year in which the transfer or issuance occurs. For this purpose, the transferor shall be deemed not to be a Member as of the date the

transfer actually occurs, and the transferee shall, for these purposes, be deemed to be a Member as of the like day. Distributions of Available Cash Flow in respect of Units shall be divided between the transferor and the transferee for the quarter in which such transfer occurs based on the time during such quarter each such party was, according to the books and records of the Company, the owner of record of the Unit(s) transferred during the period in which the transfer occurs. All other distributions by the Company shall be distributed to the Persons holding Units on the date of the distribution. As in the case of allocations, the transferor shall be deemed not to be a Member as of the date that the transfer actually occurs, and the transferee shall, for these purposes, be deemed to be Member as of the like day. The Managers and the Company shall incur no liability for making distributions in accordance with the provisions of the preceding sentence whether or not the Managers or the Company have knowledge or notice of any transfer of ownership of any Unit(s).

8.16 Tax Obligations Pursuant to the Purchase Agreement. The Members acknowledge the Purchase Agreement imposes on the Members and the Company certain obligations with respect to the preparation and filings of tax returns and the payment of taxes, including, without limitation, (i) an obligation to make a timely election under Section 754, (ii) an obligation to use the interim closing method and the calendar day convention specified in Regulations Section 1.706-4 with respect to the "Phase I Closing Date" and "Phase II Closing Date" (as such terms are defined in the Purchase Agreement), and (iii) an obligation regarding the allocation of items income, gain, loss, deduction and credit of the Company with respect to taxable periods or portions thereof ending on or before the Phase I Closing Date, and the taxable period or portion thereof beginning immediately after the Phase I Closing Date and ending on and including the Phase II Closing Date. Notwithstanding any other provision of this Agreement, the Members hereby agree the Company shall to take all actions required to be taken by it pursuant to the terms of the Purchase Agreement, and this Agreement shall interpreted in a manner consistent therewith.

8.17 Offsets to Distributions. Notwithstanding any other provisions of this Agreement, each Member hereby acknowledges and agrees that (i) the Company may, upon the written request of an Indemnified Member (as defined below) after following the procedures contained in the Purchase Agreement regarding offsets, offset against a Member's future distributions of profits from the Company an amount necessary to satisfy any unpaid indemnification obligations of such Member (the "**Indemnifying Member**") to any other Member (the "**Indemnified Member**") under the Purchase Agreement, and pay the amount so offset (the "**Offset Amount**") to the Indemnified Member, and (ii) any Offset Amount paid to the Indemnified Member shall be applied against the amount of any Losses (as defined in the Purchase Agreement) payable by such Indemnifying Member to such Indemnified Member under Article XII of the Purchase Agreement and shall reduce, on a dollar-for-dollar basis, the remaining amount of any Losses payable by such Indemnifying Member to such Indemnified Member under Article XII of the Purchase Agreement. Upon receipt of a request for indemnification under Article XII of the Purchase Agreement, the Company will retain a portion of the Indemnifying Member's future distributions otherwise owed to the Indemnifying Member, until such time as the claim for indemnification is fully and finally resolved.

IX. RIGHTS, POWERS AND OBLIGATIONS OF THE BOARD OF MANAGERS

9.1 Establishment of Board of Managers. The Company shall be "manager-managed" as defined in the Act and the business and affairs of the Company shall be managed by the Board of Managers. The number of Managers on the Board of Managers shall be five (5). Three (3) Managers shall be appointed by the SCA Member and two (2) Managers shall be appointed by the Members other than the SCA Member holding an aggregate Company Percentage that is in excess of fifty percent (50%) of the aggregate Company Percentage held by all Members other than the SCA Member. A Manager is not required to be a resident of any particular state. Unless authorized to do so by this Agreement or the Board of Managers, no attorney-in-fact, employee or other agent of the Company shall have any power or authority to bind the Company in any way, to pledge its credit or to render it liable for any purpose. The Managers shall only act collectively

as the Board of Managers and no individual Manager shall have the right or authority to act independently on behalf of the Company unless prior approval or authorization has been given by the Board of Managers. The initial Managers shall be as follows:

SCA Managers	Physician Managers
Thomas Chadwick	Michael Brand, M.D.
Brian Nicholls	Joseph DiGiovanni, M.D.
Dan Sweatman	

9.2 Powers. Except for situations in which the approval of the Members is expressly required by this Agreement or by non-waiveable provisions of applicable law, the management and control of the Company and its business and affairs shall rest exclusively with the Board of Managers, which shall have all the rights and powers which may be possessed by a "manager" pursuant to the Act, and such additional rights and powers as are otherwise conferred by law or are necessary, advisable or convenient to the discharge of its duties under this Agreement. Without limiting the generality of the foregoing, the Board of Managers may, subject to Section 9.5, at the cost, expense and risk of the Company:

a. Spend the capital and Net Income of the Company in the exercise of any rights or powers possessed by the Board of Managers hereunder;

b. Prepare and approve ordinary and capital budgets of the Company for each Fiscal Year;

c. Operate the Center, acquire leasehold improvements at the Center, and enter into agreements containing such terms, provisions and conditions as the Board of Managers in its discretion shall approve provided, however that any agreements with any Member or an Affiliate of a Member shall require the approval of Supermajority of the Board;

d. Purchase from or through others contracts of liability, casualty and other insurance which the Board of Managers deems advisable for the protection of the Company or for any purpose convenient or beneficial to the Company;

e. Incur indebtedness for a Company purpose in accordance with an approved budget;

f. Sell or otherwise dispose of, upon such terms and conditions as the Board of Managers may deem advisable, appropriate or convenient, any of the assets of the Company in the ordinary course;

g. Invest in short-term debt obligations (including obligations of federal and state governments and their agencies, commercial paper and certificates of deposit of commercial banks, savings banks or savings and loan associations) and "money market" mutual funds, such funds as are temporarily not required for the purposes of the Company's operations;

h. Delegate all or any of its duties hereunder and, in furtherance of any such delegation, appoint, employ or contract with any Person (including Affiliates of the SCA Member) for the transaction of the business of the Company, which persons may, under the supervision of the Board of Managers, act as consultants, accountants, attorneys, brokers, escrow agents or in any other capacity deemed by the Board of Managers necessary or desirable, and pay appropriate fees consistent with fair market value for such services to any of such persons;

i. Amend this Agreement or any other document or record of the Company from time to time to reflect the withdrawal or admission of Members and any changes in the number of or types of Units or any changes in Company Percentage held by any Member arising from the increase in the number of Units, admission of new Members, transfer of any Units to or by such Member, any conversion of Company debt to Units and any changes in the amounts contributed or agreed to be contributed by a Member; and

j. Make a decision to hire or terminate the administrator or business office manager of the Center; provided, however, that any such decision shall be made in consultation with all of the Managers.

9.3 Independent Activities. A Manager may, notwithstanding the existence of this Agreement, engage in whatever activities such Manager chooses, whether or not the same may be competitive with the Company, without having or incurring any obligation to offer any interest in such activities to the Company or any party hereto, and, as a material part of the consideration for the Manager's execution hereof and for the admission of such Member, each Member hereby waives, relinquishes and renounces any such right or claim of participation.

9.4 Duties. Each Manager shall manage and control the Company and its business and affairs to the best of such Manager's ability and shall use commercially reasonable efforts to carry out the business of the Company in accordance with applicable laws and regulations. Each Manager shall devote himself or herself to the business of the Company to the extent that he or she, in his or her discretion, deems necessary for the efficient carrying on thereof. Each Manager shall act as a fiduciary with respect to the safekeeping and use of the funds and assets of the Company.

9.5 Certain Limitations.

a. The Board of Managers shall not do or authorize any act which the manager of a limited liability company is prohibited from doing under Connecticut law.

b. Notwithstanding the rights provided in Section 9.2 above, the Board of Managers shall not, without obtaining the approval of a Supermajority of the Board, take any of the following actions:

(i) Make capital purchases in excess of One Hundred Thousand Dollars ($100,000) outside of the Company's budget and outside of the ordinary course of business;

(ii) Admit new Members of the Company as set forth in Section 6.9;

(iii) Offer or sell additional Units or increase the number of the Company's Units;

(iv) Approve the Transfer of Units, except for certain Transfers by the SCA Member, as contemplated by Section 10.16;

(v) Enter into, renew, amend or terminate any arrangement or agreement between the Company and any Member or Affiliate of any Member or change fees payable thereunder;

(vi) Require any Member to make any additional Capital Contributions;

(vii) Relocate the Center or terminate the Center's lease at any time other than the end of a lease term, provided that any decision not to renew the Center's lease upon the expiration of a term of the lease shall not require the approval of a Supermajority of the Board;

(viii) Waive any Member obligations or approve the withdrawal of a Member from the Company;

(ix) Make or file any election or take any other action that would result in the Company being classified as an association taxable as a corporation for federal income tax purposes;

(x) Issue any Units in the Company in exchange for services rendered or to be rendered to or on behalf of the Company, or in exchange for a contribution of property other than cash;

(xi) Determine or establish the fair market value of the Company's assets upon the occurrence of any of the events specified in Regulations Section 1.704-1(b)(2)(iv)(f)(5);

(xii) Subject to the rights of the Physician Interest Holders in Section 9.5(d), modify the anesthesia coverage or anesthesiology services at the Center or select the anesthesia provider for the Center; provided, however, that the Board will take recommendations from the Medical Executive Committee regarding the hiring and terminating of anesthesia providers and making decisions regarding anesthesia policies;

(xiii) With respect to staff privileges of the Center, approve the credentialing requirements of the Center, close the staff privileges of the Center, approve all medical staff bylaws, manuals, policies and procedures and approve all medical staff terminations and privileges;

(xiv) Determine whether there has been an occurrence of a Buy/Sell Event under Sections 10.5(a)(i), (a)(iii) and (b)(v), and Section 10.6; provided that with respect to determining whether a Buy/Sell Event has occurred with respect to the SCA Member under Section 10.6, only the approval of the two (2) Managers appointed by the Members other than the SCA Member shall be required;

(xv) Assign the Company's right to purchase a Withdrawing Member's or Interest Holder's Units to the SCA Member in accordance with Article X;

(xvi) Hire or terminate the director of nursing of the Center;

(xvii) Approve a total amount of reserves and working capital in excess of $100,000.00, as contemplated by Section 1.13;

(xviii) Make a decision to draw on the Overdraft Line of Credit, as contemplated by the Management Agreement; and

(xix) Make any of the decisions under Sections 11.1(a), (d), and (f), and 14.1(b).

c. Notwithstanding the rights provided in Section 9.2 above, the Board of Managers shall not, without obtaining the approval of a Supermajority of the Members, take any of the following actions:

(i) Substantially change the nature of the Company's business;

(ii) Amend this Agreement, unless otherwise permitted pursuant to Article XIV;

(iii) Liquidate or dissolve the Company as long as the Company is still operating the Center;

(iv) Merge or consolidate the Company into another entity;

(v) Sell or transfer all or substantially all of the Company's assets, provided that the Board of Managers may grant a security interest in the Company's assets in connection with properly approved loan; and

(vi) Elect the medical director of the Center.

d. As of the Effective Date of this Agreement, anesthesia services are currently provided to patients of the Center pursuant to an Anesthesia Services Agreement dated August 1, 2014, between the Company and Western Connecticut Medical Group, Inc. (the "**Current Anesthesia Agreement**"). Notwithstanding the rights provided in Section 9.2 above, the Physician Interest Holders may, without obtaining approval of a Supermajority of the Board or the SCA Member, cause the Company to terminate the Current Anesthesia Agreement (in a manner permitted by the terms of the Current Anesthesia Agreement) and enter into a new agreement for anesthesia services with a qualified, third party provider of such services. Any such change, in the reasonable judgement of the Physician Interest Holders and made in good faith, must not be economically or clinically disadvantageous to the Company. Any subsequent change in anesthesia services provided at the Center shall require approval of a Supermajority of the Board. Furthermore, and notwithstanding the foregoing right granted to the Physician Interest Holders, if, at any time, the Company wishes to (i) contract with a party that is related to a Member or Members to provide anesthesia services at the Center, or (ii) employ anesthesia providers directly to provide anesthesia services at the Center, such decision shall require approval of a Supermajority of the Board, regardless of whether it is the first change made to the Current Anesthesia Agreement.

9.6 Board of Manager Meetings.

a. Place; Waiver of Notice. Meetings of the Board of Managers may be held at such place or places as shall be determined from time to time by resolution of the Board of Managers. At all meetings of the Board of Managers, business shall be transacted in such order as shall from time to time be determined by resolution of the Board of Managers. Attendance of a Manager at a meeting of the Board of Managers shall constitute a waiver of notice of such meeting, except where a Manager attends a meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

b. Notice of Meetings. Regular meetings of the Board of Managers shall be held at such times and at such places as shall be designated from time to time by resolution of the Board of Managers. Notice of such meeting shall not be required so long as members of the Board of Managers receive copies of each resolution pursuant to which the time and place of such meetings

are set. Special meetings of the Board of Managers may be called on at least forty-eight (48) hours' Notice to each Manager by any other Manager. Such Notice need not state the purpose or purposes of, nor the business to be transacted at, such meeting, except as may otherwise be required by law or provided for in this Agreement.

c. Voting. Each Manager shall be entitled to one (1) vote. Any action authorized by this Agreement may be taken at a meeting at which a majority of the Managers are present. The affirmative vote of a majority of the Board of Managers entitled to vote on the matter and present at a properly called meeting shall constitute the act of the Board of Managers, unless a greater vote is required under this Agreement, by the Articles or the law.

d. Action by Written Consent or Telephone Conference. Any action permitted or required by the Act, the Articles or this Agreement to be taken at a meeting of the Board of Managers may be taken without a meeting if a consent in writing, setting forth the action to be taken, is signed by the number of the Managers required to approve such action under the Act, the Articles or this Agreement. Notice of any such consent shall be given to all Managers. Such consent shall have the same force and effect as a vote at a meeting and may be stated as such in any document or instrument filed with any public official, public office or other state authority, and the execution of such consent shall constitute attendance or presence in person at a meeting of the Board of Managers. Subject to the requirements of this Agreement for notice of meetings, the Managers may participate in and hold a meeting of the Board of Managers by means of a conference telephone or similar communications equipment by means of which all Persons participating in the meeting can hear each other, and participation in such meeting shall constitute attendance and presence in person at such meeting, except where a Person participates in the meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting was not lawfully called or convened.

e. Open Meetings. Unless the Board elects to go into executive session in its reasonable discretion, all Members shall receive notice of any meetings of the Board of Managers in accordance with this Section 9.6 and shall be permitted but not required to attend and observe, but not to vote at, such meetings of the Board of Managers.

9.7 Resignation, Removal and Replacement of a Manager. A Manager may at any time resign as a Manager of the Company by providing written notice to the other Managers. Any Manager appointed by the SCA Member may be removed by the SCA Member in its sole discretion, and any Manager appointed by the other Members pursuant to Section 9.1 may be removed by the Members other than the SCA Member holding an aggregate Company Percentage that is in excess of fifty percent (50%) of the aggregate Company Percentage held by all Members other than the SCA Member. In the event of such resignation or removal, (i) if the Manager was appointed by the SCA Member pursuant to Section 9.1, the SCA Member shall designate and appoint a replacement Manager as soon as reasonably practicable after such resignation or removal, or (ii) if the Manager was appointed by the Members other than the SCA Member pursuant to Section 9.1, a replacement Manager shall be appointed as soon as reasonably practicable after such resignation by the Members other than the SCA Member holding an aggregate Company Percentage that is in excess of fifty percent (50%) of the aggregate Company Percentage held by all Members other than the SCA Member.

9.8 Tax Matters Partner and Partnership Representative.

a. The SCA Member shall serve as the Tax Matters Partner and shall have the following duties, along with any other duties required by the Code, to the extent and in the manner provided by the Code:

(i) Furnish the name, address, profits interest and taxpayer identification number of each Member to the IRS;

(ii) Promptly inform each Member in writing of the administrative and judicial proceedings for the adjustment of any item required to be taken into account by a Member for income tax purposes; and

(iii) Within fifteen (15) days of receiving a notice of a Company audit or other correspondence from the IRS, forward a copy of such notice or correspondence to the Members, and promptly upon submitting any notice or correspondence to the IRS, deliver a copy of such notice or correspondence to the Members.

b. The Tax Matters Partner is hereby authorized, but not required, to:

(i) Enter into any settlement with the IRS with respect to any tax audit or judicial review, in which agreement the Tax Matters Partner may expressly state that such agreement shall bind the other Members, except that such settlement agreement shall not bind any Member who (within the time prescribed pursuant to the Code and regulations thereunder) files a statement with the IRS providing that the Tax Matters Partner shall not have the authority to enter into a settlement agreement on the behalf of such Member;

(ii) If a final administrative adjustment of a Company item required to be taken into account by a Member for tax purposes is mailed to the Tax Matters Partner, seek judicial review of such final adjustment, including the filing of a petition for readjustment with the Tax Court, the District Court of the United States for the district in which the Company's principal place of business is located, or the United States Claims Court;

(iii) Intervene in any action brought by any other Member for judicial review of a final adjustment;

(iv) File a request for an administrative adjustment with the IRS at any time and, if any part of such request is not allowed by the IRS, file a petition for judicial review with respect to such request;

(v) Enter into an agreement with the IRS to extend the period for assessing any tax which is attributable to any item required to be taken into account by a Member for tax purposes, or an item affected by such item; and

(vi) File a petition as contemplated in Sections 6226(a) and/or 6228 of the Internal Revenue Code.

c. The Partnership Representative shall be the SCA Member or such Member as shall be appointed by the Board of Managers, as determined from time to time. The Partnership Representative shall be required to obtain the prior approval of Supermajority of the Board of Managers with respect to all material matters involved in any Tax audit, examination or investigation.

(i) The Partnership Representative shall have the full authority to take any and all actions approved by Supermajority approval of the Board of Managers, to the extent such actions are permitted to be taken by the Partnership Representative under the Code, (i) in connection with any audit, examination or investigation of the Company or any

Company income tax return, and (ii) in connection with any and all administrative and judicial proceedings arising out of such audit, examination or investigation. The Partnership Representative shall keep the Board of Managers and the other Members informed of all administrative and judicial proceedings involving the Company or any Company return, and shall furnish promptly to each member of the Board of Managers, and to each Member if requested in writing, a copy of each notice or other communication received by the Partnership Representative from the Internal Revenue Service not otherwise sent directly to the other Member(s).

(ii) The Partnership Representative shall employ experienced tax advisors to represent the Company in connection with any audit or investigation of the Company by the Internal Revenue Service and in connection with all subsequent administrative and judicial proceedings arising out of such audit. The fees and expenses of such tax advisors shall be a Company expense and shall be paid by the Company. It shall be the responsibility of the Members (including any Member serving as Partnership Representative), at their own expense, to employ tax advisors to represent their respective separate interests.

(iii) The Members agree that, unless otherwise directed by Supermajority of the Board of Managers, the Company shall elect out of the application of Section 6221(a) of the Code (as amended by the Budget Act) for its first fiscal year beginning after December 31, 2017, and for each fiscal year thereafter, if possible. If such election out is impossible, the Members further agree that, unless otherwise directed by Supermajority of the Board of Managers, the Company will elect the application of Section 6226 of the Code (as amended by the Budget Act) for its first fiscal year beginning after December 31, 2017, in the event that it receives a "notice of final partnership adjustment" that would otherwise permit the Internal Revenue Service to collect from the Company a deficiency of tax, for each relevant year. The Members covenant to take into account and report to the Internal Revenue Service any adjustment to their items for the reviewed year as notified to them by the Company in a statement furnished to them pursuant to Section 6226(a) of the Code (as amended by the Budget Act), in the manner provided in Section 6226(b) of the Code (as amended by the Budget Act), whether or not Members own any Units in the year of the Company's statement. Any Member which fails to report its share of such adjustments on its tax return for its taxable year including the date of the Company's statement as described immediately above shall indemnify and hold harmless the Company against any tax, interest and penalties collected by the Internal Revenue Service from the Company as a result of the Member's failure.

d. The Company shall indemnify and reimburse the Tax Matters Partner and Partnership Representative for all expenses, including legal and accounting fees, claims, liabilities, losses and damages incurred in connection with any administrative or judicial proceeding with respect to the tax liability of the Members and against any and all loss, liability, cost or expense, including judgments, fines, amounts paid in settlement and attorneys' fees and expenses, incurred by the Tax Matters Partner or Partnership Representative in any civil, criminal or investigative proceeding in which the Tax Matters Partner or Partnership Representative is involved or threatened to be involved solely by virtue of being Tax Matters Partner or Partnership Representative, except such loss, liability, cost or expense arising by virtue of the Tax Matters Partner's or Partnership Representative's fraud, gross negligence, malfeasance, breach of fiduciary duty or intentional misconduct.

9.9 Officers.

a. Number. The Company may have officers with such duties and responsibilities as the Board of Managers may determine from time to time. Any such officer serves as the pleasure of the Board of Managers. Any two (2) or more offices may be held by the same person. The officers need not be Members or residents of the State of Connecticut. As of the Effective Date, the initial officers shall be as follows:

President – Richard L. Sharff, Jr.

Vice President – Michael Brand, M.D.

b. Term of Office. Each officer shall hold office until the earlier of his or her death, removal or resignation.

c. Removal and Resignation. An officer serves at the pleasure of the Board of Managers and the Board of Managers may remove an officer at any time with or without cause. The Board of Managers may also eliminate any officer position at any time. The removal of an officer is without prejudice to the contractual rights of the officer, if any. Any officer may resign at any time and for any reason. In the event of a vacancy in any office because of death, resignation or removal, the Board of Managers shall elect a successor to such office.

d. Delegation. An officer may delegate some or all of the duties and powers of his office to other persons. An officer who delegates the duties or powers of an office remains subject to the standard of conduct for an officer with respect to the discharge of all duties and powers so delegated.

e. Standard of Conduct. An officer shall discharge the duties of an office in good faith, in a manner the officer reasonably believes to be in the best interests of the Company and with the care an ordinarily prudent person in a like position would exercise under similar circumstances. In discharging his or her duties, an officer is entitled to rely on information, opinions, reports or statements, including financial statements and other financial data, if prepared or presented by one or more officers or employees of the Company whom the officer reasonably believes to be reliable and competent in the matters presented or legal counsel, public accountants or other persons as to matters the officer reasonably believes are within the person's professional or expert competence. An officer is not acting in good faith if he or she has actual knowledge concerning the matter in question that makes reliance otherwise permitted unwarranted. An officer is not liable for action taken as an officer, or any failure to take any action if he or she performed the duties of his or her office in compliance with this subsection. A person exercising the principal functions of an office or to whom some or all of the duties and powers of an office are delegated is considered an officer for purposes of this section.

9.10 Medical Executive Committee. The Company shall also have a medical executive committee (the "**Medical Executive Committee**") comprised of one or more Physician Interest Holders who are members of the Center's medical staff and selected by a majority vote of the Physician Interest Holders who are members of the Center's medical staff. The exact number of individuals serving on the Medical Executive Committee shall be determined by the Board of Managers from time to time. The Medical Executive Committee shall be responsible for the general supervision of the Center's medical staff and making recommendations to the Center's governing body regarding patient care as described in the Center's medical staff bylaws as amended from time to time.

9.11 Twenty-Three (23) Hour Stay Facility. The Members hereby agree that, provided that use of the Center as a twenty-three (23) hour stay facility is permitted by all applicable laws and regulations

and provided that the Board of Managers determines in good faith that such use would be financially feasible, the Company shall build out and operate a 23-hour ambulatory surgical stay facility at the Center within the designated area set forth in the Company's lease of the Center dated the same date hereof. Subject to the foregoing, the Members hereby direct the Board of Managers to pursue all necessary steps to design, construct, finance, staff and operate such 23-hour stay facility at the Center so that the same is fully constructed no later than May 1, 2018, and operational and open for business as soon as practical thereafter.

X. TRANSFER OF UNITS

10.1 In General. A Member, other than the SCA Member, may not Transfer any or all of the Units owned by him, her or it, or any interest in a Unit, unless he, she or it complies with the following conditions:

a. A Supermajority of the Board must consent to the Transfer. A Supermajority of the Board will not consent to any Transfer of any Unit or of an interest in a Unit or to the admission of any Person as a substitute Member if, in its opinion, such consent and/or substitution would result in (i) a violation of any applicable federal or state law pertaining to securities regulation, (ii) the admission of a Member who has been, or an Entity Member having any Physician Interest Holder who has been, subject to a Health Care Program Adverse Event, (iii) Benefit Plan Investors owning an aggregate interest in the Company in excess of the Benefit Plan Investor Ownership Limitation, or (iv) a violation of 42 U.S.C. §§1320a-7b(b).

b. The transferring Member and his, her or its purchaser, assignee or transferee must execute and deliver to the Board of Managers such instruments of transfer and assignment with respect to such transaction as are in a form and substance satisfactory to the Board of Managers.

c. Such Member must pay the Company a transfer fee which is sufficient to pay all reasonable expenses of the Company in connection with such transaction.

Any attempt to Transfer all or any part of a Member's Units that does not comply with the terms and conditions of this Agreement shall be void. In the event the Company is required to recognize a Transfer of all or any part of a Member's Units, the transferee of such Units shall have only those rights of an Assignee as described more fully in Section 10.4 hereof and shall have no right to become a Member of the Company or to exercise the assigning Member's governance rights unless such Assignee is admitted as a substitute Member in accordance with Section 10.3 of this Agreement.

10.2 Intentionally Omitted.

10.3 Substitute Members. A purchaser, assignee or transferee of a Unit from a Member (other than the SCA Member) shall become a substitute Member within the meaning of the Act if:

a. A Supermajority of the Board consents to such person becoming a substitute Member;

b. Such person executes and acknowledges such other instruments as the Board of Managers may deem necessary or advisable to effect the admission of such person as a substitute Member, including, without limitation, the written acceptance and adoption by such person of the provisions of this Agreement; and

c. Such person pays a transfer fee to the Company that is sufficient to cover all reasonable expenses connected with the admission of such person as a substitute Member within the meaning of the Act.

The Board of Managers shall take all other steps which, in the opinion of the Board of Managers, are reasonably necessary to admit such person as a substitute Member under the Act. Notwithstanding the foregoing, and subject to the restrictions set forth in Section 10.16, a purchaser, assignee or transferee of a Unit from the SCA Member shall become a Member upon compliance with Section 10.3(b) above and no further action or approval shall be required.

10.4 Rights of Assignees. Except as otherwise provided in this Agreement, the only rights which an Assignee shall have are those rights associated with the right to receive distributions and allocations of Profits and Losses with respect to the Units held by the Assignee. The Assignee shall have no right to become a Member except as provided in Section 10.3. Any voting rights formerly incident to the Units held by an Assignee shall lapse unless and until the Assignee is admitted as a substitute Member under Section 10.3, and all computations of voting power for matters reserved to the Members shall be made only with respect to the Units held by Members.

10.5 Buy/Sell Events. If any of the buy/sell events listed in this Section 10.5 (each, a "**Buy/Sell Event**") occurs in relation to a Covered Person, the Company, upon approval of the Board of Managers, may require the affected Member to transfer his, her or its Unit(s) to either the Company or, upon approval of a Supermajority of the Board, the SCA Member. If the Buy/Sell Event occurs in relation to an Interest Holder of an Entity Member, the Board of Managers may require the Entity Member to repurchase the interest of the affected Interest Holder or to Transfer Units in accordance with the terms of Section 10.12. Notwithstanding the foregoing, and as contemplated by Section 9.5(b)(xiv), the Board of Managers shall not act with respect to a Buy/Sell Event occurring under Sections 10.5(a)(i), (a)(iii) or 10.5(b)(v) without the approval of a Supermajority of the Board.

(a) Non Adverse Buy/Sell Events

(i) The Disability, death, or judicial determination of incompetence or incapacity of a Covered Person;

(ii) Any dissolution, insolvency, or the filing of a petition or suit under the bankruptcy laws by or against a Covered Person that is not dismissed within sixty (60) days;

(iii) Upon a determination by a Supermajority of the Board, following consultation with experienced health legal counsel, that (i) under state or federal regulations or laws, or any legal developments thereunder, as applied to the continued direct or indirect ownership and operation of ambulatory surgical centers generally, continued ownership by a Covered Person would adversely affect (or potentially adversely affect), in a manner reasonably deemed substantial by a Supermajority of the Board, the operations of the Company; or (ii) under state or federal regulations or laws, or any legal developments thereunder, as applied to the specific Units of any Covered Person, continued direct or indirect ownership by any Covered Person would adversely affect (or potentially adversely affect), in a manner deemed substantial by a Supermajority of the Board, the operations of the Company or any affected Covered Person;

(iv) A Physician Interest Holder fails to satisfy the Extension of Practice Requirements;

(v) The Retirement of any Physician Interest Holder;

(vi) The relocation of a Physician Interest Holder's medical practice to a location which is twenty-five (25) miles or more from the Center; or

(vii) Benefit Plan Investors owning an interest in the Company equal to or greater than the Benefit Plan Investor Ownership Limitation.

b. Adverse Buy/Sell Events

(i) Any voluntary or involuntary Transfer of all or any part of (i) a Member's Units, or any withdrawal by a Member, except as otherwise permitted by this Agreement, or (ii) an Interest Holder's ownership interest in an Entity Member;

(ii) Any material breach of this Agreement by a Covered Person, including, without limitation, (i) a breach of Section 15.1; (ii) a Physician Interest Holder's failure to continue to comply with the Physician Interest Holder's Eligibility Requirements (other than the Extension of Practice Requirements) or (iii) a Covered Person's failure to comply with the certification requirements in Section 15.4;

(iii) The failure of a Physician Interest Holder to obtain and maintain medical staff privileges at the Center; notwithstanding anything contained herein to the contrary, this Section 10.5(b)(iii) shall not be applied if the failure to maintain medical staff privileges is the result of events that are Non-Adverse Buy/Sell Events;

(iv) A Covered Person's default under a loan or other instrument in which the Covered Person has or granted a security interest in, or lien upon, such Covered Person's Units;

(v) A Covered Person's gross misconduct that in the reasonable opinion of a Supermajority of the Board adversely affects the Company or the operation of the Center (including, but not limited to, a Covered Person's mistreatment of employees or staff at the Center), which is not corrected within ten (10) days of written notice from the Board of Managers, or a Covered person's failure to adhere to the Company's policies and procedures, which is not corrected within ten (10) days of written notice from the Board of Managers;

(vi) The voluntary, involuntary, and/or permanent suspension, revocation, termination, material limitation or cancellation of a Physician Interest Holder's license to practice medicine in the State of Connecticut;

(vii) The voluntary, involuntary, and/or permanent suspension, revocation, or non-renewal of a Physician Interest Holder's controlled substance registration certificate issued by the Drug Enforcement Administration;

(viii) The conviction of a Covered Person of a felony or crime of moral turpitude;

(ix) The occurrence of a Health Care Program Adverse Event with respect to a Covered Person;

(x) The failure of an Entity Member to cause all of its Interest Holders to execute a joinder to this Agreement;

(xi) The possession of a direct or indirect ownership interest in an Entity Member by an Interest Holder who is not a Physician who meets the Physician Interest Holder Eligibility Requirements; or

(xii) The dissociation of a Member from the Company as contemplated by the Act.

10.6 Adverse Buy/Sell Events Related to the SCA Member. Upon the occurrence of (a) a Health Care Program Adverse Event to the SCA Member, or (b) the dissolution, insolvency, or the filing of a petition or suit under the bankruptcy laws by or against the SCA Member that is not dismissed within sixty (60) days, the Members (other than the SCA Member), upon approval of the two (2) Managers appointed by the Members other than the SCA Member as contemplated by Section 9.5(b)(xiv), shall have the option to purchase all, but not less than all, of the SCA Member's Units, pro rata, at the Adverse Event Purchase Price, for a period of thirty (30) days following notice by the SCA Member of the occurrence of either of the events under this Section 10.6(a) or (b). The Members, other than the SCA Member, shall pay the Adverse Event Purchase Price to the SCA Member in immediately available funds in one final payment at the closing of the purchase of such Units, which closing shall occur no later than sixty (60) days after the date on which the Members received notice of such event. Notwithstanding anything to the contrary contained herein, this Section 10.6 shall not be the sole remedy of the Company and the Members, other than the SCA Member, with respect to a breach of this Agreement by the SCA Member.

10.7 Notice. Upon the occurrence of a Buy/Sell Event, the Member to whom such Buy/Sell Event has occurred (the "**Withdrawing Member**") or his, her or its legal representative shall give notice of the Buy/Sell Event (the "**Buy/Sell Notice**") to the Board of Managers. If such an event has occurred with respect to an Interest Holder of an Entity Member, the Entity Member shall be responsible for issuing the notice required by this Section 10.7. If the Withdrawing Member or Entity Member fails to give the Buy/Sell Notice, the Board of Managers may give the Buy/Sell Notice to the Withdrawing Member or the Entity Member. The issuance of a Buy/Sell Notice shall commence the procedures related to a Buy/Sell Event provided for in this Article X.

10.8 Purchase Option. The Company shall have the option to elect to purchase all of the Withdrawing Member's Units from such time as the Buy/Sell Event occurs until sixty (60) days following the Board of Managers' receipt of the Buy/Sell Notice. Upon approval of a Supermajority of the Board, the Company may assign its option to purchase all of the Withdrawing Member's Units to the SCA Member. The decision to cause the Company to exercise its option shall be made by the Board of Managers. To exercise an option to purchase such Units, the Company or the SCA Member, as the case may be, shall give the Withdrawing Member notice of its decision to purchase a Unit or Units (the "**Purchase Notice**") pursuant to this Section 10.8, which Purchase Notice shall specify (a) a summary of the basis for such determination, (b) a detailed description of the calculation and payment of the purchase price for such Unit(s) (pursuant to Section 10.11), and (c) whether the Company or the SCA Member (as applicable) shall purchase the Units. Unless agreed otherwise by the parties, the terms of the purchase shall be those set forth below in Section 10.11. If the Buy/Sell Event has occurred to an Interest Holder of an Entity Member, the provisions of Section 10.11 shall apply. All of the Members and Interest Holders acknowledge and agree that the decision not to exercise the rights provided hereunder after one Buy/Sell Event shall not be deemed a waiver of any rights relating to such Buy/Sell Event or to any subsequent Buy/Sell Event.

10.9 Benefit Plan Investors. Upon the occurrence of a Buy/Sell Event resulting from Benefit Plan Investors owning an interest in the Company in violation of the Benefit Plan Investor Ownership

Limitation, the number of Units subject to the Buy/Sell Event shall be that number of Units necessary to cause the Benefit Plan Investor's ownership in the Company, in the aggregate, to not exceed the maximum permitted ownership as set forth in the Benefit Plan Investor Ownership Limitation. The Board of Managers, in its sole discretion, shall select the number of Units to be purchased from each Benefit Plan Investor to cause the ownership of Benefit Plan Investors to be less than the Benefit Plan Investor Ownership Limitation.

10.10 Additional Option to Purchase Units Held by Assignee. In the event a Buy/Sell Event occurs but neither the Company nor the SCA Member (if the Company's purchase option is assigned to the SCA Member as contemplated by Section 10.8) purchases the Member's Units pursuant to Section 10.8 and as a result of the Buy/Sell Event an Assignee holds the Units subject to such options, then until the Assignee is admitted as a substitute Member pursuant to Section 10.3 the Company and the SCA Member (if applicable) shall have the continuing option to purchase the Units held by such Assignee (the "**Assignee Units**"). The Company or the SCA Member (if applicable) may exercise its rights under this Section by providing notice (the "**Assignee Purchase Notice**") to the Assignee of its election to purchase the Assignee Units, which notice shall include (a detailed description of the calculation of the purchase price for such Assignee Unit(s) (as determined pursuant to Section 10.11 as if the Assignee were a Withdrawing Member as a result of a Non-Adverse Buy/Sell Event). Any purchase of Assignee Units pursuant to this Section shall be completed pursuant to the terms of Section 10.11 as if the Assignee were a Withdrawing Member as a result of a Non-Adverse Buy/Sell Event. The SCA Member shall have the right to assign the option to purchase the Assignee Units to an Affiliate or to other Members of the Company, in the event that a Supermajority of the Board approves the assignment of the Company's right to purchase Assignee Units to the SCA Member.

10.11 Closing of Purchase of Withdrawing Member's Unit(s) and Payment Terms. If the Company or the SCA Member, as applicable, is purchasing the Unit(s) of a Member (the "**Withdrawing Member's Unit(s)**") pursuant to Section 10.8 or 10.10, the closing (the "**Closing**") of the purchase of such Unit(s) shall take place on the date agreed upon by the parties to the transfer. If the parties do not reach agreement on the date of Closing, the Company or the SCA Member, as applicable, shall set a date of Closing which shall occur no later than thirty (30) days after the Withdrawing Member's receipt of the Purchase Notice. The Board of Managers shall, at its sole option, determine the purchase price for the Unit(s) being sold utilizing one of the calculation methods specified in this Section which shall be calculated and paid as follows:

a. If the purchase of Units is triggered by a Non-Adverse Buy/Sell Event, the purchase price shall be the Fair Market Value Transfer Price set forth in the Purchase Notice (or the Assignee Purchase Notice, if applicable) multiplied by the Withdrawing Member's Company Percentage. The Company or the SCA Member, as the case may be, shall pay the Fair Market Value Transfer Price in immediately available funds in one final payment at the Closing, or at Company's or SCA Member's option, as applicable, by delivery of a promissory note bearing interest at the prime rate of interest as published in The Wall Street Journal, plus one percent (1%) with sixty (60) equal amortizable payments of principal and interest (the "**Note**"); or

b. In lieu of paying the Fair Market Value Transfer Price as of the date of Closing as set forth in Section 10.11(a) above, the Board of Managers may determine an initial estimated purchase price as of the date of the Closing (the "**Estimated Purchase Price**") by (i) determining the Fair Market Value Transfer Price as of the date of Closing and (ii) multiplying such Fair Market Value Transfer Price by the Withdrawing Member's Company Percentage. The Company or the SCA Member, as the case may be, shall pay at the Closing, in cash or immediately available funds, an initial payment equal to twenty percent (20%) of the Estimated Purchase Price (the "**Closing Payment**") to the Withdrawing Member. The Board of Managers shall then determine a final

purchase price as of the date of the first annual anniversary of the Closing (the "**Final Purchase Price**") by (i) determining the Fair Market Value Transfer Price (except that the period used in the calculation of the purchase price shall be the twelve (12) month period subsequent to the Closing), and (ii) multiplying such Fair Market Value Transfer Price by the Withdrawing Member's Company Percentage as of the date of Closing. The Company or the SCA Member, as the case may be, shall pay, in cash or immediately available funds, the Final Purchase Price less the Closing Payment to the Withdrawing Member which shall be payable in one final payment within thirty (30) days after the determination of the Final Purchase Price or at the Company's or SCA Member's option, as applicable, by delivery of the Note in an amount equal to the Final Purchase Price less the Closing Payment. Aggregate payments to be made in connection with a Buy/Sell Event by the Company shall not exceed seven and one half percent (7.5%) of the Company's annual operating income for the then current Fiscal Year. If payments are so restricted, payment shall be made in proportion to amounts owed to all Members as a result of Buy/Sell Events and the balance of that Fiscal Year's payment obligations shall be deferred to the following Fiscal Year or Years, until such amounts can be paid without violating such limitation with respect to any such Fiscal Year or Years. Within thirty (30) days following the end of each Fiscal Year, the Company shall make an adjusted payment to the former Members if and to the extent that actual aggregate collections during the prior Fiscal Year (or relevant portion thereof) have exceeded the anticipated amount.

c. Notwithstanding anything contained herein to the contrary, when calculating the Final Purchase Price, the Board of Managers shall exclude any and all expenses or revenues attributable to cases referred to the Center by the Withdrawing Member from the calculations of the Final Purchase Price.

d. In connection with the purchase of Unit(s) pursuant to an Adverse Buy/Sell Event, other than a breach of Section 15.1, the purchase price shall be determined as of the last day of the month preceding the Purchase Notice and shall be the Adverse Event Purchase Price multiplied by the Withdrawing Member's Company Percentage. The Company or the SCA Member, as the case may be, shall pay the purchase price to the Withdrawing Member, in immediately available funds in one payment within thirty (30) days after the determination of the purchase price or at the Company's or the SCA Member's option, as applicable, by delivery of the Note in an amount equal to the purchase price.

e. In connection with the purchase of Unit(s) pursuant to breach of Section 15.1 the purchase price shall be determined as of the last day of the month preceding the Purchase Notice and shall be the Net Book Value Purchase Price multiplied by the Withdrawing Member's Company Percentage. The Company shall pay the purchase price to the Withdrawing Member, in immediately available funds in one payment at Closing, or at the Company's option, by delivery of the Note in an amount equal to the purchase price.

f. Except as otherwise provided in Section 10.5(b)(iii), in the event a Buy/Sell Event qualifies as both an Adverse Buy/Sell Event and a Non Adverse Buy/Sell Event, the Buy/Sell Event shall be deemed to be an Adverse Buy/Sell Event.

g. At the Closing, the Withdrawing Member shall execute and deliver such assignments and other instruments as may be reasonably necessary to evidence and carry out the transfer of such Unit(s) to the Company or the SCA Member, as the case may be. The Board of Managers shall be entitled to adjust the Fair Market Value Transfer Price from time to time, at its reasonable discretion, if it is advised to do so by an independent third party healthcare appraiser and if such revisions will more closely align the Fair Market Value Transfer Price with the fair market value of the interests of other healthcare entities of comparable size and function.

h. Notwithstanding the foregoing, all obligations of the Withdrawing Member to the Company shall become immediately due and payable upon purchase of the Withdrawing Member's Unit(s). To the extent not previously taken into account pursuant to this Section 10.11, the purchase price shall be reduced by the amount of any such obligations.

10.12 Effect of a Buy/Sell Event Related to an Interest Holder of an Entity Member. If a Buy/Sell Event occurs regarding an Interest Holder of an Entity Member, the Board of Managers may, in its sole and absolute discretion, require the Entity Member to repurchase the Interest Holder's interest in the Entity Member pursuant to the terms of an Entity Member's Owners' Agreement (or similar agreement) of the Entity Member. If the Entity Member fails to repurchase the Interest Holder's interest in the Entity Member within sixty (60) days (the "**Repurchase Period**") of the Board of Managers' written demand, the Company shall have the option to purchase from the Entity Member the Interest Holder's Proportionate Units for an amount attributable to the Interest Holder's Proportionate Units and calculated in accordance with the applicable provisions of Section 10.11. Upon approval of a Supermajority of the Board, the Company may assign its option to purchase such Interest Holder's Proportionate Units to the SCA Member. If the Entity Member fails to repurchase the Interest Holder's interest in the Entity Member within the Repurchase Period, the Board of Managers or the SCA Member, as applicable, shall provide notice (the "**Repurchase Failure Notice**") to such Entity Member of the Entity Member's failure to repurchase the Interest Holder's interest in the Entity Member, which notice shall include (a) the calculation of the Interest Holder's Proportionate Units and (b) a detailed description of the calculation of the purchase price for such Unit(s) (as determined pursuant to Section 10.11 as if the Interest Holder were a Withdrawing Member). The Company or the SCA Member, as the case may be, may exercise its option by providing notice of its election to the Entity Member within the sixty (60) day period following the receipt of the Repurchase Failure Notice. Notwithstanding the foregoing provisions of this Section 10.12 to the contrary, (a) if a Buy/Sell Event occurs and the failure of the Entity Member to repurchase such Interest Holder's interest in the Entity Member would result in the Company being (i) subject to a Health Care Program Adverse Event or (ii) in violation of applicable law, as determined by the Board of Managers, then either the Company or, upon approval of a Supermajority of the Board, the SCA Member, shall have the option to repurchase all Units owned by the Entity Member for an amount equal to the Net Book Value Purchase Price multiplied by the Entity Member's Company Percentage and (b) if the Company and an Entity Member have executed an Entity Member's Owner's Agreement and the terms of this Agreement conflict with the terms of the Entity Member's Owner's Agreement, the terms of the Entity Member's Owner's Agreement will govern. In addition, each Entity Member shall give the Board of Managers and the SCA Member written notice of any change in its Interest Holders.

10.13 Effect on Withdrawing Member's Interest. From the date of the exercise of an option to purchase following the occurrence of a Buy/Sell Event until the date of Closing, the Withdrawing Member shall have no right to vote his, her or its Units under this Agreement and the Withdrawing Member's Units will be excluded from any calculation of aggregate Units for purposes of any approval required of the Members under this Agreement. Without limiting the generality of any other provision of this Agreement, following Closing, the Withdrawing Member will have no rights in, or against, the Board of Managers, the Company or any Member other than the right to receive payment for his, her or its Units in accordance with this Article X.

10.14 No Dissolution or Termination. The admission, addition, removal, withdrawal, substitution or bankruptcy of any Member shall not dissolve or terminate the Company or otherwise be treated as a change of ownership or the formation of a new limited liability company. No Member shall have the right to have the Company dissolved or to have his, her or its Capital Contribution returned except as provided in this Agreement.

10.15 Liquidated Damages. The Members agree that in each of the circumstances where the purchase price to be paid for Units pursuant to this Agreement is less than the fair market value of the purchased Units, that the Company has been damaged by the circumstance giving rise to the less than fair market value purchase and that such difference between the fair market value and the purchase price is intended to compensate the party sustaining the damage, in part, for the damage sustained. The Members further agree that it is inherently difficult to determine with precision the amount of damages arising in such circumstances and that it is for this reason that the Members have provided for a specific dollar amount calculated as the difference between the fair market value of the Units and the purchase price to compensate the damaged party, in part, for the damages sustained. This provision is not intended to limit the damaged party's ability to recover the damages it receives as a result of the circumstance giving rise to the purchase hereunder.

10.16 Transfers by the SCA Member. Notwithstanding anything herein to the contrary, the SCA Member may freely Transfer Units held by the SCA Member to an entity or entities that are wholly owned, directly or indirectly, by SCA after providing prior written notice to the Members of such proposed Transfer of Units and provided that the Transfer complies with Sections 10.1(b) and (c); provided, however, that any proposed Transfer of Units by the SCA Member to unaffiliated third parties, including but not limited to hospitals, physician groups, or surgery center management companies, shall require the approval of a Supermajority of the Members; provided further that any proposed Transfer of Units by the SCA Member to new or existing Physician Interest Holders shall only require the approval of a Supermajority of the Board.

XI. DISSOLUTION AND WINDING UP OF THE COMPANY

11.1 Dissolution of the Company. In no event shall the death of any Member result in dissolution of the Company. The Company will be dissolved upon the following events:

a. All or substantially all of the assets of the Company are sold, exchanged or otherwise transferred (unless a Supermajority of the Members have elected to continue the business of the Company, in which event the Company will continue until the Members elect to dissolve the Company);

b. As determined by the Board of Managers and a Supermajority of the Members;

c. The entry of a final judgment, order or decree of a court of competent jurisdiction adjudicating the Company to be bankrupt and the expiration without appeal of the period, if any, allowed by applicable law in which to appeal;

d. The determination by a Supermajority of the Board that state or federal regulations or law, or any legal developments thereunder, as applied to the Company or to the Units of the Members, would adversely affect (or potentially adversely affect), in a manner deemed substantial by a Supermajority of the Board, the operations of the Company or the Members;

e. The entry of a decree of judicial dissolution or the issuance of a certificate for administrative dissolution under the Act; or

f. The determination by a Supermajority of the Board that the Center has not been operating for more than thirty (30) consecutive days.

11.2 Winding Up of the Company. Upon the dissolution of the Company, the Board of Managers shall take full account of the Company's assets and liabilities, and the assets shall be liquidated

as promptly as is consistent with obtaining the fair value thereof. The proceeds therefrom, to the extent sufficient therefor, shall be applied and distributed as provided in the Act and this Agreement; provided, however, that after payment of or creating adequate reserves to provide for all Company debts, obligations and liabilities, the remaining Company assets, notwithstanding anything contained in this Agreement to the contrary, shall be distributed to the Members in accordance with their ending positive Capital Account balances after all allocations and any other Capital Account adjustments for the Fiscal Year are made. All Company assets shall be distributed by the later of (i) the last day of the tax year of the liquidation as defined in Regulations Section 1.704-1(b) or (ii) ninety (90) days after the liquidation; provided, however, if the Company creates reserves or holds installment obligations owed to Company, such amounts will be distributed as soon as practicable and in proportion to the Members' ending positive Capital Account balances.

XII. BOOKS OF ACCOUNT, ACCOUNTING, REPORTS, FISCAL YEAR, BANKING AND TAX ELECTION

12.1 Books of Account. The Company's books and records (including a current list of the names and addresses of all Members) and an executed copy of this Agreement, as currently in effect, shall be maintained at the principal office of the Company, and each Member shall have access thereto at all reasonable times. The books and records shall be kept by the Board of Managers using an appropriate method of accounting consistently applied and shall reflect all Company transactions and be appropriate and adequate for the Company's business. The Board of Managers shall also keep adequate federal income tax records using an appropriate method of accounting applied on a consistent basis.

12.2 Financial Reports. As soon as reasonably practicable after the end of each Fiscal Year, but not later than March 31 of the next succeeding year, an unaudited balance sheet of the Company as of the last day of such Fiscal Year and unaudited statements of income or loss of the Company for such year shall be made available to each Member. In addition, the Company will make available to the Members unaudited quarterly summaries of its operations. All such financial statements shall be prepared on an accrual basis of accounting in accordance with GAAP, consistently applied. The Company shall also furnish to each Member not later than March 31 of each year whatever information may be necessary for Members to file their federal income tax returns. The Company will also make available to each Member upon request a copy or summary of all federal, state and/or local tax returns which are filed by the Company. The Company will make available to the Members any audited balance sheet of the Company, if one has been prepared.

12.3 Fiscal Year. The "**Fiscal Year**" of the Company shall be the calendar year except as otherwise required by the Code or Regulations.

12.4 Tax Election. Subject to the Section 8.16, (i) upon the transfer of an interest in the Company or in the event of a distribution of the Company's property, the Company may, but is not required to, elect pursuant to Code Section 754 to adjust the basis of the Company's property as allowed by Sections 734(b) and 743(b) thereof, and (ii) the Board of Managers shall have the sole authority and discretion to make such an election.

12.5 Tax Returns. The Board of Managers shall, for each Fiscal Year, file on behalf of the Company with the Internal Revenue Service a Company Return within the time prescribed by law (including any extensions) for such filing. The Board of Managers shall also file on behalf of the Company such state and/or local income tax returns as may be required by law.

XIII. POWER OF ATTORNEY

13.1 Appointment of Attorney-in-Fact. Each Member hereby makes, constitutes and appoints any Manager, and any officer of the Company, with full power of substitution and re-substitution, his, her or its agent and attorney-in-fact to file for record, and to sign, execute, certify and acknowledge, any other instruments which may be required of the Company or of the Members by law to qualify or continue the Company under the Act, including, but not limited to, amendments to or cancellations of this Agreement, including any amendments necessary to substitute or add a Member or a Manager pursuant to this Agreement, or of the Certificate. Each Member authorizes such attorney-in-fact to take any further action which such attorney-in-fact shall consider reasonably necessary in connection with the foregoing, hereby giving such attorney-in-fact full power and authority to act to the same extent as if such Member were himself personally present. Notwithstanding anything to the contrary, the foregoing power of attorney does not authorize or empower any Manager to take any action that would otherwise require the approval of the Members.

13.2 Effect of Power. The power of attorney granted pursuant to Section 13.1 of this Agreement:

a. Is a special power of attorney coupled with an interest, is irrevocable, and shall survive the death, dissolution, insanity, or incapacity of the granting Member; and

b. May be exercised by such attorney-in-fact for each Member by listing all of the Members executing any agreement, certificate, instrument or document with the single signature of such attorney-in-fact as attorney-in-fact for all of them; and

c. Shall survive the delivery of an assignment by a Member of the whole or a portion of his interest in the Company, except that where the purchaser, transferee or assignee thereof is to be admitted as a substitute Member, the power of attorney shall survive the delivery of such assignment for the sole purpose of enabling such attorney-in-fact to execute, acknowledge and file any agreement, certificate, instrument, or document necessary to effect such substitution.

XIV. AMENDMENTS AND VOTING

14.1 Amendments. Amendments to this Agreement may be proposed by the SCA Member or by Members holding an aggregate Company Percentage of greater than ten percent (10%).

a. A proposed amendment shall be adopted and effective as an amendment to this Agreement upon the approval of a Supermajority of the Members.

b. In addition to any amendments otherwise authorized herein, the Board of Managers may, upon approval of Supermajority of the Board, without obtaining the consent of the Members, amend this Agreement from time to time as follows:

(i) to cure any ambiguity, to correct or supplement any provision in this Agreement which may be inconsistent with any other provision herein, or to make any other provisions with respect to matters or questions arising under this Agreement or the Certificate, as the case may be, which will not be inconsistent with the provisions of this Agreement or the Certificate as the case may be, provided that such amendment does not adversely affect the interests of the Members;

(ii) as necessary in the opinion of counsel to the Company for the allocations of taxable income and loss contained herein to be respected for federal income tax purposes, provided that no such amendment shall materially increase the obligations of the Members hereunder of materially dilute their rights under the Agreement;

(iii) upon advice of counsel that the operations of the Company are in violation of law, to cause this Agreement to comply with law; provided, however, such amendments shall not alter materially the economic objectives of the Company and, further, provided that any amendment to or deletion of any provision shall not in the opinion of a Supermajority of the Board materially reduce the economic return to the Members; or

(iv) Such that the SCA Member and SCA will be able to consolidate the financial results of operations and financial condition of the Company with the financial results of operation and financial condition of its ultimate parent under applicable requirements of GAAP, consistently applied, as such may change from time to time, as determined in the reasonable opinion of SCA's independent certified accountants; provided, however, that any such change does not have an adverse economic impact on the Members other than the SCA Member.

c. The Board of Managers may, without obtaining the consent of the Members, amend this Agreement to evidence the admission of additional or substitute Members admitted in accordance with the terms of this Agreement.

14.2 Meetings and Means of Voting. Meetings of the Members may be called by the Board of Managers, the SCA Member or by Physician Interest Holders holding at least thirty percent (30%) of the Units then held by all Physician Interest Holders. The call for any meeting called under this Section 14.2 shall state the nature of the business to be transacted. Notice of any such meeting shall be delivered by the Board of Managers within ten (10) days of its calling to all Members in the manner prescribed in Section 17.1 of this Agreement and such meeting shall be held not less than fifteen (15) days nor more than sixty (60) days after such notice. Members may vote in person or by proxy at any such meeting. Whenever the vote or consent of Members is permitted or required under this Agreement, such vote or consent may be given at a meeting of Members or may be given in writing. For purposes of obtaining a written vote, the Board of Managers may require response within a specified time, but not less than thirty (30) days from the date notice is deemed to have been given, and failure to respond shall constitute a vote which is consistent with the Board of Managers' recommendation with respect to the proposal.

14.3 Voting Rights. Except as otherwise required by the Act, this Agreement does not grant to any Member the right to vote upon any matter not specifically provided for in this Agreement. Subject to the reserve powers of the Members set forth in this Agreement, the Board of Managers of the Company has complete right and power to control all management functions and decisions of the business and affairs of the Company.

XV. DUTIES OF COVERED PERSONS; RESTRICTIVE COVENANTS; LIMITED CALL RIGHTS

15.1 Covenants of Covered Persons. Except as set forth on Schedule B, each Covered Person agrees that during the Restricted Period, other than through the Company, no Covered Person nor any of his or her Affiliates shall, without the prior written approval of the Board of Managers, directly or indirectly, own, manage, operate, control or participate in any manner in the ownership, management, operation or control of, or serve as a partner, employee, principal, agent, consultant or otherwise contract with, or have any financial interest in, or aid or assist any other person or entity that operates a facility (including an

ambulatory surgery center, a hospital, or an office-based or practice-based facility or operating site or room that provides any of the services offered by the Company (each, a "**Competing Facility**")) to provide outpatient surgical services within twenty-five (25) miles from the address of the Center. Further, a Covered Person may not provide services of the type provided by the Center in his or her office if the Covered Person's office, or other entity with which the Covered Person has a compensation relationship or in which the Covered Person has an ownership interest, is accredited, licensed or Medicare-certified or such entity or Covered Person receives a facility fee or technical fee or a site-of-service differential in connection with performing surgery at such location. Notwithstanding the foregoing, nothing in this Section 15.1 shall prohibit a Covered Person from (i) providing medical staff governance, administrative or similar services at a hospital, with Approval of the Members; (ii) maintaining staff privileges at any hospital; or (iii) continued participation and ownership in Danbury Surgical Center, located at 73 Sand Pit Rd # 101, Danbury, CT 06810.

a. Equitable Remedy. Each Covered Person acknowledges that the restrictions contained in this Section 15.1 are reasonable and necessary to protect the legitimate interests of the Company and that any violation of such restrictions would result in irreparable injury to the Company. In addition to any other remedy or remedies to which the Company may be entitled in law or in equity, the Company shall be entitled to preliminary and permanent injunctive relief for a violation or threatened violation of this Section 15.1 without having to prove actual damages or to post a bond, and the Company shall also be entitled to an equitable accounting of all earnings, profits and other benefits arising from such violation. Each Covered Person hereby waives any objections on the grounds of improper jurisdiction or venue to the commencement of an action in the State of Connecticut and agrees that effective service of process may be made upon him or her by mail under the provisions of Section 17.1.

b. Judicial Determination. If a court should hold that the restrictions set forth in Section 15.1 are unenforceable because they are unreasonable, then to the extent permitted by law, the court may prescribe the longest duration for the Restricted Period and/or the largest radius or area for the restricted area that is reasonable and the parties agree to accept such determination subject to their rights of appeal. Nothing herein stated shall be construed as prohibiting the Company from pursuing any other remedy or remedies available for such breach or threatened breach, including recovery of damages from the Covered Person or injunctive relief.

c. Extension of Restricted Period. If a Covered Person is in violation of Section 15.1 at any time, then the Restricted Period shall be extended for a period of time equal to the period during which said violation or violations occurred. If the Company seeks injunctive relief from said violation in court, then the running of the Restricted Period shall be suspended during the pendency of said proceeding, including all appeals. This suspension shall cease upon the entry of a final judgment in the matter, not subject to further appeal.

d. Return of Purchase Price. In the event a former Covered Person violates the provisions of Section 15.1 after the date on which he, she or it has, directly or indirectly, Transferred his, her or its Units (which shall include a Transfer by an Interest Holder of his, her or its interest in an Entity Member), and the Company or the SCA Member purchased the Units or Interest Holder's Proportionate Units related to such former Covered Person, such Covered Person shall pay to the Company or the SCA Member, as the purchaser of such Units or Interest Holder's Proportionate Units as follows:

(i) If the former Covered Person was a Member, such former Covered Person shall pay the Company or the SCA Member, as applicable, an amount equal to the difference between (A) the greater of the purchase price received upon the Transfer of his,

her or its Units or the fair market value of the Units on such date, as determined by the SCA Member and (B) the Net Book Value Purchase Price multiplied by the Withdrawing Member's Company Percentage as of the date of such Transfer;

(ii) If the former Covered Person was an Interest Holder, the Entity Member shall pay or shall cause such Interest Holder to pay the Company or the SCA Member, as applicable, an amount equal to the difference between (A) the greater of the purchase price received upon the Transfer of the Interest Holder's Proportionate Units related to such former Covered Person or the fair market value of the Interest Holder's Proportionate Units on such date, as determined by the SCA Member and (B) the Net Book Value Purchase Price multiplied by the portion of the Entity Member's Company Percentage attributable to the Interest Holder's Proportionate Units as of the date of such Transfer.

15.2 Medical Malpractice Insurance. Each Physician Interest Holder shall maintain and each Entity Member shall cause its Physician Interest Holders who are physicians on the medical staff of the Center to maintain medical malpractice insurance in accordance with the Center's medical staff bylaws.

15.3 Non-Discrimination. Each Physician Interest Holder shall treat, and each Entity Member shall cause its Physician Interest Holders to treat, the Center's patients receiving medical benefits or assistance under any Federal health care program in a nondiscriminatory manner.

15.4 Certification.

a. In order to assist the Board of Managers in determining whether each Physician Interest Holder is using the Center as an extension of his or her practice, each Physician Interest Holder shall certify in writing to the Company at such times as requested (provided no more frequently than once per calendar year) and in the then current written form as may be required by the Board of Managers, with respect to the preceding twelve (12) months: (i) whether such Physician Interest Holder satisfied the Extension of Practice Requirements; (ii) whether such Physician Interest Holder has been subject to a Health Care Program Adverse Event; (iii) whether all patients referred to the Center by the Physician Interest Holder were fully informed of the Physician Interest Holder's ownership interest in the Company; and (iv) whether such Physician Interest Holder maintains medical malpractice insurance in accordance with the requirements set forth in the Center's medical staff bylaws. In addition, each Covered Person shall certify in writing to the Company at such times (provided no more frequently than once per calendar year) and in the current written form as may be required by the Board of Managers, with respect to the preceding twelve (12) months (i) whether such Covered Person has complied with the terms of this Agreement; (ii) whether such Covered Person is subject to a Buy/Sell Event and (iii) if an Entity Member, whether there have been any changes in its Interest Holders or the percentage of equity owned by the Interest Holders in the Entity Member within the previous twelve (12) month period.

b. "**Extension of Practice Requirements**" means the requirements that a Physician: (i) derive at least one-third (1/3) of his or her annual medical practice income (from all sources) from performing Outpatient Surgical Procedures, or procedures requiring an ambulatory surgery center or hospital operating room setting, or from providing anesthesia in connection with such procedures, and (ii) perform at least one-third (1/3) of his or her Outpatient Surgical Procedures or anesthesia procedures as applicable at the Center. For purposes of this definition, "**Outpatient Surgical Procedures**" shall mean those surgical procedures on the list of Medicare covered procedures for ambulatory surgery centers under applicable Medicare regulations in effect at the time a procedure is performed. The intent of the Extension of Practice Requirements is to ensure that each Physician Interest Holder is not serving as an indirect referral source with respect to the

Center and that each Physician Interest Holder actively performs services at the Center. The Extension of Practice Requirements are intended to establish general standards for physicians based upon the Office of Inspector General safe harbors for surgery centers. The Board of Managers, acting in its sole discretion, may waive a Physician Interest Holder's compliance with all or a portion of the Extension of Practice Requirements if the Board of Managers reasonably believes that a Physician Interest Holder is acting in good faith to comply with the applicable statutes, including 42 U.S.C. §1320a-7b, and the Board of Managers reasonably believes that the Company will not be in violation of applicable law if such Physician Interest Holder continues to have a direct or indirect ownership interest in the Company.

15.5 Physician Interest Holder Eligibility Requirements.

a. All Physician Interest Holders must:

(i) Be licensed to practice medicine in the State of Connecticut;

(ii) Obtain and maintain medical staff privileges at the Center and at least one local hospital in Fairfield County, Connecticut;

(iii) At all times, be in compliance with paragraphs (A) through (C) of this subsection and affirm in writing, in connection with the initial acquisition of his or her Units and, thereafter, at such times (provided no more frequently than once per calendar year) and in the written form as may be then be required by the Board of Managers from time to time:

(A) the Physician Interest Holder agrees to fully inform each patient referred to the Center by the Physician Interest Holder of his or her ownership interest in the Company;

(B) the Physician Interest Holder satisfies the Extension of Practice Requirements (or, if a new Physician Interest Holder, he or she satisfies component (i) of the Extension of Practice Requirements and expects to satisfy component (ii) of the Extension of Practice Requirements at the Center each year); and

(C) the Physician Interest Holder has treated patients receiving medical benefits or assistance under any federal health care program (including Medicare and Medicaid) in a non-discriminatory manner.

b. The criteria set forth in Section 15.5(a), as well as the requirement to make representations regarding compliance with the criteria in the form and pursuant to the time intervals set forth above, are referred to as the "**Physician Interest Holder Eligibility Requirements**."

c. An Entity Member may become a Member in accordance with the terms of this Agreement only if each of its Physician Interest Holders satisfies the Physician Interest Holder Eligibility Requirements.

d. The SCA Member may require any Member that is not an Entity Member or Physician Interest Holder to transfer his, her or its Units to the SCA Member or the Company for the Fair Market Value Transfer Price.

15.6 Confidentiality. Each Member shall, and shall cause each agent or principal thereof, to keep secret and confidential, all information acquired relating to the following (all such information being hereinafter referred to as "**Confidential Business Information**"): (a) the financial condition and other information relating to the business of the Company, including, without limitation, its rates for services, its operations and contracts, and its business plans and arrangements; (b) the systems, products, plans, services, marketing, sales, administration and management procedures, trade relations or practices, techniques and practices heretofore or hereafter acquired, developed and/or used by the Company; and (c) in connection with the Company's patients, providers, clients, customers, suppliers, vendors, lenders, independent contractors, and payors, the provisions and terms of any agreements or proposed agreements between the Company and any of such individuals or entities. No Member shall at any time disclose any such Confidential Business Information to any person, firm, corporation, association or other entity, or use the same in any manner other than in connection with operating the business and affairs of the Company or the Center; provided, however, a Member may disclose Confidential Business Information to a bona fide, potential third-party purchaser of any interest in the Company, if the purchase is to be made in accordance with any applicable provisions hereof and if such third party has executed a confidentiality agreement acceptable to the Board of Managers pursuant to which such third party has agreed to keep the Confidential Business Information strictly confidential. Subject to the foregoing proviso, no Member shall under any circumstances use Confidential Business Information in any way the Board of Managers reasonably believes is detrimental to the Company or the Center. Notwithstanding the foregoing, the term "**Confidential Business Information**" shall not include the following: any information which was independently developed by a party without the use of the Confidential Business Information; any information which is or becomes available in the public domain during the term of this Agreement other than through a breach of this Agreement or other agreement with the Company or the Center; any information which is ordered to be released by requirement of a governmental agency or court of law; any information provided to a party's professional advisers (i.e., attorneys and accountants); and any information independently made lawfully available to a party as a matter of right by a third party. Each Member agrees that these confidentiality covenants shall apply while a Person is a Member and also at all times thereafter.

15.7 Covenants of the SCA Member.

a. The SCA Member agrees that for so long as it is a Member of the Company, neither the SCA Member nor any of its Affiliates, other than through the Company or as otherwise contemplated by this Section 15.7, shall, directly or indirectly, own, manage, operate, control or participate in any manner in the ownership, management, operation or control of, or have any financial interest in, an outpatient surgical facility whose primary business focus is orthopedic, spine or pain-related surgical procedures (each, an "**SCA Competing Facility**"), that is located both (i) within ten (10) miles of the Center and (ii) within the borders of the State of Connecticut (the "**SCA Restricted Area**"). For the purposes of this Section 15.7, an outpatient surgical facility shall be construed to have a primary business focus in orthopedic, spine or pain-related surgical procedures if at least fifty-one percent (51%) of the surgical case volume of such facility during any consecutive twelve (12) month period is from orthopedic, spine and pain-related surgical procedures in the aggregate.

b. Notwithstanding anything to the contrary in this Section 15.7, nothing shall prohibit or restrict the SCA Member or its Affiliates from (i) holding an ownership interest in, or having a contractual arrangement for the management or operation of, Danbury Surgical Center, Limited Partnership, a Connecticut limited partnership ("**DSC**"), or any successor in interest thereof, or (ii) acquiring or holding an interest in an SCA Competing Facility that is acquired in connection with a transaction involving the acquisition of multiple healthcare facilities, provided that the net revenue generated by the acquired SCA Competing Facility did not represent greater

than fifty percent (50%) of the total net revenues generated by all healthcare facilities acquired in such transaction, during the trailing twelve (12) month period immediately preceding the closing of such transaction.

c. A breach of the covenants in this Section 15.7 may result in material damages to the Company and the Physician Interest Holders and shall entitle the Company and the Physician Interest Holders to recover damages in addition to the other remedies and rights provided herein. The Company and the Physician Interest Holders shall have the right periodically to audit the books and records of the SCA Member or its Affiliates solely for the purpose of confirming whether a facility that would otherwise meet the definition of an SCA Competing Facility actually derives fifty-one percent (51%) or more of its case volume during any consecutive twelve (12) month period from orthopedic, spine and pain-related surgical procedures in the aggregate.

d. The SCA Member acknowledges that the restrictions contained in this Section 15.7 are reasonable and necessary to protect the legitimate interests of the Company and the Physician Interest Holders and that any violation of such restrictions would result in irreparable injury to the Company and the Physician Interest Holders. In addition to any other remedy or remedies to which the Company and the Physician Interest Holders may be entitled in law or in equity, the Company and the Physician Interest Holders shall be entitled to preliminary and permanent injunctive relief for a violation or threatened violation of this Section 15.7 without having to prove actual damages or to post a bond, and the Company and the Physician Interest Holders shall also be entitled to an equitable accounting of all earnings, profits and other benefits arising from such violation. The SCA Member hereby waives any objections on the grounds of improper jurisdiction or venue to the commencement of an action in the State of Connecticut and agrees that effective service of process may be made upon him or her by mail under the provisions of Section 17.1.

e. If a court should hold that the restrictions set forth in Section 15.7 are unenforceable because they are unreasonable, then to the extent permitted by law, the court may prescribe the longest duration for the restricted period and/or the largest radius or area for the restricted area that is reasonable and the parties agree to accept such determination subject to their rights of appeal. Nothing herein stated shall be construed as prohibiting the Company or the Physician Interest Holders from pursuing any other remedy or remedies available for such breach or threatened breach, including recovery of damages from the SCA Member or injunctive relief.

15.8 Limited Call Rights of the Physician Interest Holders.

a. If, prior to January 16, 2019 (the "**Expiration Date**"), both of the following have acquired direct or indirect ownership interests in DSC (an "**SCA Triggering Event**"), the Physician Interest Holders shall have the call rights specified below in this Section 15.8:

i. Western Connecticut Health Network, a Connecticut non-stock corporation, or one of its affiliates; and

ii. At least six (6) or more Physicians, in the aggregate, who are members of a single orthopedic or spine physician practice group **[whose other group member(s) are not currently investors in DSC or another ambulatory surgical facility located within the SCA Restricted Area].**

b. Upon the occurrence of an SCA Triggering Event, the SCA Member shall notify the Physician Interest Holders of the occurrence of such SCA Triggering Event (the "**Triggering**

Event Notice") as soon as reasonably practicable but in no event more than five (5) days following the occurrence of such event. Upon receipt of such notice, the Physician Interest Holders may, upon Two-Thirds Physician Vote, elect to purchase all, but not less than all, of the SCA Member's Units in the Company (the "**Call Right**").

c. To exercise the Call Right, the Physician Interest Holders must deliver written notice of their intent to exercise the Call Right (the "**Call Notice**"), within thirty (30) days after receipt of the Triggering Event Notice (the "**Option Period**"). Upon the expiration of the Option Period, the Call Right shall expire automatically, and the Physician Interest Holders shall be deemed to have knowingly waived the Call Right. For the sake of clarification, in no event shall the Physician Interest Holders be permitted to exercise the Call Right at any time more than thirty (30) days after the Expiration Date.

d. If the Physician Interest Holders issue a Call Notice prior to the expiration of the Option Period, the SCA Member shall be obligated to sell all, but not less than all, of its Units in the Company to the Physician Interest Holders.

e. If the Physician Interest Holders exercise the Call Option, the aggregate purchase price payable to the SCA Member for its Units in the Company shall be calculated as follows:

i. If the Call Option is exercised prior to May 1, 2018, the purchase price shall be equal to the aggregate gross purchase price paid by the SCA Member to acquire such Units under the Purchase Agreement; and

ii. If the Call Option is exercised after May 1, 2018, the parties shall promptly and jointly engage a mutually acceptable independent, third-party valuation firm to determine the fair market value of the SCA Member's Units, and the purchase price shall be equal to the amount determined by such valuation firm.

f. The Physician Interest Holders shall have two hundred seventy (270) days from the date on which a Call Notice is delivered to the SCA Member to close the acquisition of the SCA Member's Units.

g. At the closing of any purchase of the SCA Member's Units under this Section 15.8, the SCA Member shall transfer and sell the Units to the Physician Interest Holders pursuant to one or more Membership Interest Purchase Agreements in substantially similar form as the Purchase Agreement.

h. In the event that the Physician Interest Holders have not completed the purchase of the SCA Member's Units hereunder within such two hundred seventy (270) day period, the Physician Interest Holders shall be deemed to have knowingly waived the Call Right, and the Physician Interest Holders shall no longer have the right to exercise the Call Right.

i. The parties expressly acknowledge and agree that the Call Right shall be the sole right and remedy of the Physician Interest Holders in the event of the occurrence of an SCA Triggering Event.

15.9 Certain Restrictions. The Physician Interest Holders acknowledge and agree that through December 31, 2018, the SCA Member will not participate in the recruitment of, or vote to admit as a Member of the Company, any of the neurosurgeons, otolaryngologists or urologists who have been in discussions with SCA prior to the Phase I Closing Date to join DSC as limited partners. The Physician

Interest Holders covenant that they will not take any action against the SCA Member for its unwillingness to participate in the recruitment of any such physicians or its refusal to vote for the admission of any such physicians as Members of the Company.

XVI. BOARD OF MANAGERS' TRANSACTIONS AND LIABILITY

16.1 Permitted Transactions of the SCA Member.

a. The SCA Member may engage in or possess interests in business ventures other than the Company, of every nature and description, independently or with others, including, but not limited to, the operation of other health care facilities and neither the Company nor the Members shall have any right by virtue of this Agreement in or to such independent ventures or to the income or profits derived therefrom.

b. The fact that the SCA Member is directly or indirectly interested in or connected with any person who renders or performs a service to the Company, or any person from whom the Company may borrow money, shall not prohibit the Company from engaging in any transaction with such person or create any duty or legal justification additional to that which would exist if such person were not so related to the Company, and neither the Company nor any other Member shall have any right in or to any income or profits derived from such transaction by such person.

16.2 Liability of the Managers to the Members and the Company. The Managers shall not be required to devote all of its time or business efforts to the affairs of the Company but shall devote so much of its time and attention to the Company as is reasonably necessary and advisable to manage the affairs of the Company to the best advantage of the Company. The Managers shall not be liable to the Members because any taxing authorities disallow or adjust any deductions, allocations or credits in the Company income tax returns. Furthermore, the Managers shall not have any personal liability for the repayment of capital contributions of the Members. No amendment of this Section shall be binding on any Person or change the rights of such Person hereunder who is or was a Manager without such Person's approval.

16.3 Exculpation. Neither the Managers nor any officer of the Company (each a "**Responsible Party**"), shall be liable, responsible or accountable in damages or otherwise to the Company or any Members for any action taken or failure to act (even if such action or failure to act constituted the gross negligence of such Responsible Party) on behalf of the Company within the scope of the authority conferred on or permitted to any such Responsible Party by this Agreement or by law, unless such act or omission was performed or omitted fraudulently, with gross negligence or as an act of willful misconduct. The provisions of this Agreement, to the extent that they expand, restrict or eliminate the duties and liabilities of any Responsible Party otherwise existing at law or in equity, are agreed by the Members to expand, restrict or eliminate to that extent such other duties and liabilities of such Responsible Party to the fullest extent permitted by applicable law. A Responsible Party will not be liable to the Company or any Members for breach of contract or breach of duties (including fiduciary duties) of such Responsible Party, except that nothing herein will limit or eliminate any liability for any act or omission that constitutes a bad faith violation of the implied contractual covenant of good faith and fair dealing. However, in no event will any Responsible Party be liable to the Company or any other Members for any breach of fiduciary duty or implied contractual covenant of good faith and fair dealing, to the extent arising hereunder, for such Responsible Party's good faith reliance on the provisions of this Agreement.

16.4 Indemnification. The Company shall indemnify and hold harmless to the fullest extent permitted by law each Responsible Party from and against any loss, expense, damage or injury suffered or sustained by it by reason of any acts, omissions or alleged acts or omissions (even if such acts or omissions

constituted the gross negligence of such Responsible Party) arising out of its activities on behalf of the Company or in furtherance of the interests of the Company, including, but not limited to, any judgment, award, settlement, attorney's fees and other costs or expenses incurred in connection with the defense of any actual or threatened action, proceeding or claim, if the acts, omissions or alleged acts or omissions upon which such actual or threatened action, proceeding or claim is based were for a purpose reasonably believed by the Responsible Party to be in, or not opposed to, the interests of the Company and were not performed or omitted fraudulently, with gross negligence or as an act of willful misconduct, and were not in violation of the express terms of this Agreement. In no event will any Member be required to make any contribution to the Company that may be necessary for the Company to satisfy its indemnity obligation hereunder. No amendment of this Section shall be binding on any Person or change the rights of such Person hereunder who is or was a Manager without such Person's approval.

16.5 Return of Capital Contribution. Anything in this Agreement to the contrary notwithstanding, no Manager shall be individually liable for the return of the Capital Contributions of the Members, or any portion thereof, it being expressly understood that any such return shall be made solely from Company assets.

XVII. MISCELLANEOUS

17.1 Notices. Except as otherwise provided in this Agreement, any notice, payment, demand, request or communication required or permitted to be given by any provision of this Agreement shall be in writing and shall be duly given by the applicable party if given to the applicable party at its address set forth below:

(a) If to the Company:

Western Connecticut Orthopedic Surgical Center, LLC
226 White Street
Danbury, CT 06810
Attention: Board of Managers

or to such other address as the Board of Managers may from time to time specify by written notice to the Members; and

(b) If to a Member, at such Member's address set forth in the Company records, or to such other address as such Member may from time to time specify by written notice to the Board of Managers.

(c) Any such notice shall, for all purposes, be deemed to be given and received:

(i) if by hand, when delivered;

(ii) if given by nationally recognized and reputable overnight delivery service, the business day on which the notice is actually received by the party; or

(iii) if given by certified mail, return receipt requested, postage prepaid, three business days after posted with the United States Postal Service.

17.2 Section Captions. Section and other captions contained in this Agreement are for reference purposes only and are in no way intended to describe, interpret, define or limit the scope, extent or intent of this Agreement or any provision hereof.

17.3 Severability. Every provision of this Agreement is intended to be severable. If any term or provision of this Agreement is illegal or invalid for any reason whatsoever, such illegality or invalidity shall not affect the validity of the remainder of this Agreement.

17.4 Right to Rely Upon the Authority of the Board of Managers. No person dealing with the Board of Managers shall be required to determine its authority to make any commitment or undertaking on behalf of the Company, nor to determine any fact or circumstance bearing upon the existence of its authority. In addition, no purchaser of any property of the Company shall be required to determine the sole and exclusive authority of the Board of Managers to sign and deliver on behalf of the Company any instrument of transfer, or to see to the application or distribution of revenues or proceeds paid or credited in connection therewith, unless such purchasers shall have received written notice from the Company affecting the same.

17.5 Governing Law. The laws of the State of Connecticut shall govern the validity of this Agreement, the construction of its terms and the interpretation of the rights and duties of the parties hereto, without giving effect to any conflicts-of-laws provisions.

17.6 Waiver of Action for Partition. Each Member irrevocably waives during the term of the Company and during the period of its liquidation following any dissolution, any right to maintain any action for partition with respect to any of the assets of the Company.

17.7 Counterpart Execution. This Agreement may be executed in one or more counterparts all of which together shall constitute one and the same Agreement. Electronically delivered signature pages shall be treated as originals.

17.8 Parties in Interest. Except as otherwise provided in this Agreement, this Agreement shall be binding upon the parties hereto and their successors, heirs, devisees, assigns, legal representatives, executors and administrators.

17.9 Construction of Pronouns. The feminine or neuter of the words "he," "his" and "him" used herein shall be automatically deemed to have been substituted for such words where appropriate to the particular Member executing this Agreement.

17.10 Integrated Agreement. This Agreement and the agreements referred to herein constitute the entire understanding and agreement among the parties hereto with respect to the subject matter hereof, and there are no agreements, understandings, restrictions, representations or warranties among the parties other than those set forth herein or herein provided for.

17.11 Force Majeure. If any of the parties hereto is delayed or prevented from fulfilling any of its obligations under this Agreement by Force majeure, said party shall not be liable under this Agreement for said delay or failure. "**Force majeure**" shall mean any cause beyond the reasonable control of a party, including, but not limited to, act of God, act or omission of civil or military authorities of a state or nation, fire, strike, flood, riot, war, delay of transportation or any other act or omission beyond the reasonable control of a party.

17.12 Schedules and Exhibits. Each Schedule and Exhibit to this Agreement is incorporated herein for all purposes.

17.13 Benefit/Assignment. Subject to provisions herein to the contrary, this Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective legal representatives, successors and assigns; provided, however, that nothing contained herein shall negate or diminish the

restrictions on transfer set forth in this Agreement. This Agreement is intended solely for the benefit of the parties hereto and is not intended to, and shall not, create any enforceable third party beneficiary rights.

17.14 Waiver. Failure by any party to enforce any of the provisions hereof for any length of time shall not be deemed a waiver of its rights set forth in this Agreement. Such a waiver may be made only by an instrument in writing signed by the party sought to be charged with the waiver. No waiver of any condition or covenant of this Agreement shall be deemed to imply or constitute a further waiver of the same or any other condition or covenant, and nothing contained in this Agreement shall be construed to be a waiver on the part of the parties of any right or remedy at law or in equity or otherwise.

17.15 Business Day. Should any due date hereunder fall on a Saturday, Sunday or legal holiday, then such due date shall be deemed timely if given on the first business day following such Saturday, Sunday or legal holiday.

17.16 Waiver of Jury Trial. EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHTS IT MAY HAVE TO DEMAND THAT ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR IN ANY WAY RELATED TO THIS AGREEMENT OR THE RELATIONSHIPS OF THE PARTIES HERETO BE TRIED BY JURY. THIS WAIVER EXTENDS TO ANY AND ALL RIGHTS TO DEMAND A TRIAL BY JURY ARISING FROM ANY SOURCE INCLUDING, BUT NOT LIMITED TO, THE CONSTITUTION OF THE UNITED STATES OR ANY STATE THEREIN, COMMON LAW OR ANY APPLICABLE STATUTE OR REGULATIONS. EACH PARTY HERETO ACKNOWLEDGES THAT IT IS KNOWINGLY AND VOLUNTARILY WAIVING ITS RIGHT TO DEMAND TRIAL BY JURY.

17.17 Language Construction. The language in all parts of this Agreement shall be construed, in all cases, according to its fair meaning, and not for or against any party hereto. The parties acknowledge that each party and its counsel have reviewed and revised this Agreement and that the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement.

[Signatures appear on following pages.]

IN WITNESS WHEREOF, this Second Amended and Restated Operating Agreement has been executed as of the date first above written.

MEMBERS:

SCA-WESTERN CONNECTICUT, LLC

By: _____
Name: Richard L. Sharff, Jr.
Title: Vice President

_____
Michael G. Brand, M.D.

_____
Angelo M. Ciminiello, M.D.

_____
Robert T. Deveney, M.D.

_____
Joseph DiGiovanni, M.D.

_____
D. Ross Henshaw, M.D.

_____
John G. Lunt, M.D.

_____
John P. Dunleavy, M.D.

_____
Frank U. Hermantin, M.D.

_____
Randolph Sealey, Jr., M.D.

_____
Robert Yaghoubian, M.D.

_____
John Mullen, M.D.

_____
Phillip Mulieri, M.D.

David Bomback, M.D.

David Kramer, M.D.

Schedule A

WESTERN CONNECTUCT ORTHOPEDIC SURGICAL CENTER, LLC

SCHEDULE OF MEMBERS

MEMBER	UNITS OWNED	PERCENTAGE OF OWNERSHIP INTEREST
Michael G. Brand, M.D.	3.92 Units	3.92%
Angelo M. Ciminiello, M.D.	3.92 Units	3.92%
Robert T. Deveney, M.D.	3.92 Units	3.92%
Joseph DiGiovanni, M.D.	3.92 Units	3.92%
D. Ross Henshaw, M.D.	3.92 Units	3.92%
John G. Lunt, M.D.	3.92 Units	3.92%
John P. Dunleavy, M.D.	2.89 Units	2.89%
Frank U. Hermantain, M.D.	2.89 Units	2.89%
Randolph Sealey, Jr., M.D.	2.89 Units	2.89%
Robert Yaghoubian, M.D.	1.44 Units	1.44%
John Mullen, M.D.	1.44 Units	1.44%
Phillip Mulieri, M.D.	2.12 Units	2.12%
David Bomback, M.D.	1.41 Units	1.41%
David Kramer, M.D.	1.41 Units	1.41%
SCA-Western Connecticut, LLC	60.00 Units	60.00%
TOTAL	100 Units	100%

Schedule B

Grandfathered Arrangements

None.

EXHIBIT E

MANAGEMENT AGREEMENT

See attached

EXECUTION VERSION

MANAGEMENT AGREEMENT

WESTERN CONNECTICUT ORTHOPEDIC SURGICAL CENTER, LLC

THIS MANAGEMENT AGREEMENT (this "**Agreement**") is made and entered into as of May 1, 2017 (the "**Effective Date**"), by and between **SURGICAL CARE AFFILIATES, LLC**, a Delaware limited liability company (the "**Manager**"), and **WESTERN CONNECTICUT ORTHOPEDIC SURGICAL CENTER, LLC**, a Connecticut limited liability company (the "**Owner**").

RECITALS:

WHEREAS, the Owner owns and operates an ambulatory surgery center located at 226 White Street, Danbury, Connecticut known as "Western Connecticut Orthopedic Surgical Center" (the "**Center**"); and

WHEREAS, the Owner and the Manager each desire that the Owner engage the Manager to assist with the management of the Center and to provide certain non-medical services to the Center, pursuant to the terms of this Agreement.

NOW, THEREFORE, in consideration of the foregoing premises, which are hereby incorporated into this Agreement as an integral part hereof and not as mere recitals hereto, and of the promises and mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereby agree as follows:

I. SCOPE OF ENGAGEMENT

1.1 Provision of Services. The Owner hereby retains the Manager for the purpose of rendering management, administration, purchasing services and support as described and set forth on Exhibit A hereto (the "**Management Services**") and the cash management services as described and set forth in Article II hereto (the "**Cash Management Services**" and, collectively with the Management Services, the "**Services**"), subject to the goals, policies, objectives and directives established by the Owner, all of which shall be consistent with applicable state and federal law, as well as the requirements of any applicable accrediting bodies. The Manager shall be responsible for providing only the Services described herein and set forth on Exhibit A. The Manager shall not be responsible for the provision of any other items or services; provided that if the Owner requests any additional items or services, and the Manager agrees to provide such items or services, the Owner shall pay the Manager a fair market value fee for such items or services, such fee to be determined by the Manager in good faith.

1.2 Standard of Performance. The Manager shall perform all Services for the account of and as agent of the Owner. The Manager shall perform the Services using commercially reasonable best efforts. The Manager's provision of the Services shall be subject to the control of the Owner, which shall have final authority in all matters relating to the Center's operations.

1.3 Exclusive Authority; Right to Subcontract. The Manager shall have the exclusive right and authority to perform all of the Services described herein. The Owner shall not perform, or contract with any person or entity other than the Manager to perform, any of the Services, or any services similar to the Services, on its behalf. The Manager shall have the right to subcontract with any other persons or entities, including any affiliate of the Manager, for the provision of any of the Services; provided, however, that the Manager shall remain obligated to the Owner under this Agreement for any such subcontracted Services. Any third-party costs of additional services (i.e., those services outside of the Manager's

obligations under this Agreement) requested by the Owner to be provided shall be billed without mark-up and paid by the Owner.

1.4 Authority. The Manager shall have the right to act as the agent of the Owner and/or the Center in the procuring of licenses, permits and other approvals, the payment and collection of accounts and in all other activities necessary, appropriate or useful to the Manager in the carrying out of its duties as specified under this Agreement. The Manager shall have the further authority, without approval of the Owner, to enter into any third-party contract on behalf of the Owner the expense of which is either (i) included in the Owner's budget; or (ii) not more than $50,000.00, subject to the approval requirements set forth in the Owner's Operating Agreement. The Manager shall be authorized to make withdrawals from the Owner's operating account to pay all costs and expenses incurred in the operation of the Center, including payment of the Management Fees (so long as such fees are not under dispute by Owner), and to fulfill all other terms of this Agreement.

1.5 Power of Attorney. The Owner hereby appoints the Manager and any subcontractor designated by the Manager, as its attorney-in-fact for the limited purpose of performing the functions described in this Agreement, including, without limitation, the authority to (a) take all steps necessary and appropriate to supervise and oversee the submission, processing and collection of all claims for payment from patients and third-party payors, including the Medicare and Medicaid programs, for professional services rendered by the Owner; (b) endorse all checks made payable to the Owner in connection with the professional services rendered by the Owner; (c) supervise and oversee the remittance of any collections from patients and third-party payors, including the Medicare and Medicaid programs; and (d) participate in any proceeding before any governmental agency arising out of the operation of the Center.

1.6 Legal Compliance; Licensing. The Owner, with the assistance of the Manager, shall comply with any and all federal, state and local statutes, regulations, rules, orders or other requirements that the Owner is responsible for undertaking which affect the Center and/or its operations. The Owner, with the assistance of the Manager, shall obtain and maintain all licenses and accreditations as are necessary for the provision of medical and health care services and the operation of an ambulatory surgery center.

1.7 Retained Authority. Nothing in this Agreement is intended to delegate to the Manager any of the powers, duties or responsibilities vested exclusively in the Owner by law.

II. CASH MANAGEMENT SERVICES

2.1 Cash Management Service. The Manager shall maintain one or more accounts (each an "**SCA Account**", and collectively, the "**SCA Accounts**") at a bank or other financial institution (the "**Depository Institution**"). The Owner shall maintain an account at a bank or other financial institution (the "**Company Account**") into which the Owner shall deposit its funds (the "**Company Funds**") pursuant to this Article II. The Manager shall transfer the Company Funds from the Company Account to one or more SCA Accounts each day other than a Saturday, Sunday, or other holiday of the Depository Institution (each a "**Business Day**"), or at such other regular intervals as may be determined from time to time by the Manager (each, a "**Transfer**", and collectively, the "**Transfers**"). The Owner hereby authorizes the Manager to transfer all of the Company Funds to one or more SCA Accounts each Business Day or at such other regular intervals as may be determined from time to time by the Manager. The Manager will use the Company Funds to make disbursements on the Owner's behalf in its capacity as Manager (the "**Disbursements**"). The services provided by Manager pursuant to this Article II are collectively referred to as the "**Cash Management Service**."

2.2 Duty of Care. The Owner acknowledges that the Company Funds may be commingled with other funds deposited in the SCA Accounts by the Manager (the "**SCA Account Funds**") and may be

transferred among SCA Accounts or other accounts or investments of the Manager. Notwithstanding the foregoing, the Manager shall treat the Company Funds, including any such funds so commingled, with the same degree of ordinary care that it exercises over its own account funds, and shall maintain records of all Transfers made from the Company Account to one or more SCA Accounts and all Disbursements made from each SCA Account on the Owner's behalf, such that the Manager can readily track and account for the Company Funds. Manager shall provide to the Owner, upon reasonable request, a data sheet that details all such deposits and transfers of the Company Funds. Subject to the Owner's right to review and audit, and in the absence of manifest error or fraud, the books and records of the Manager shall be final and definitive with respect to the amounts of such Transfers, Disbursements and the balance of the Company Funds remaining after payment of the Advances pursuant to this Article II (the "**Company Fund Balance**"). The Owner agrees to comply with the terms of this Article II and any related Manager or Depository Institution procedures governing the Cash Management Service, including, without limitation, the Transfers.

2.3 Company Account Deposits. The Owner shall deposit its cash receipts, checks and other items, and any other available cash of Owner each Business Day to the Company Account. The Owner acknowledges that the availability of the Company Funds and the balance of the Company Account is subject to the Depository Institution's funds availability policies and deposit account agreements (the "**Depository Institution Account Agreements**") and may be subject to set-off or charge back, such as for returned items.

2.4 Transfers. The Owner agrees that Transfers may be initiated by the Manager or Depository Institution and may be made via zero balance account ("**ZBA**") arrangement, automated clearing house ("**ACH**") transfer, or such other method of transfer or sweep as the Manager may determine from time to time. The Owner agrees to sign such authorizations and follow such procedures that may be required by the Manager or Depository Institution from time to time to facilitate Transfers.

2.5 Authorization to Conduct Banking Activities. The Owner hereby authorizes the Manager to conduct banking activities (the "**Banking Activities**") on behalf of the Owner in accordance with the normal and customary processes utilized by the Manager in the ordinary course of the Owner's business. Such Banking Activities include opening and closing bank accounts in the name of the Owner and contracting for banking services, including merchant services and the withdrawal of funds by check or electronic means. The Owner shall take such actions and institute such procedures as the Manager from time to time may reasonably request to enable the Manager to conduct such banking activities on behalf of the Owner, and to enable the Owner to participate in the Cash Management Service to the same extent as though Owner were a wholly-owned subsidiary of the Manager. Such actions may include adopting such resolutions as may be requested from time to time by the Manager to authorize the Manager to conduct the Banking Activities.

2.6 Application of Funds. Upon the closing of the financial books of the Owner each month, the Manager agrees to apply the Company Funds to balances owed to the Manager by the Owner for payment of operating expenses of the Owner, including the Disbursements and the payment of any Management Fee owed to the Manager pursuant to this Agreement and any other fees or expenses related to the operation and maintenance of the Cash Management Services or the SCA Accounts that are properly allocable to the Owner (the operating expenses, Disbursements, Management Fee and other banking fees, collectively, the "**Advances**"). In the event that the Owner disputes any amounts due under this Agreement in accordance with the terms of the Agreement, no Company Funds shall be applied to satisfy such claimed amounts until such dispute has been resolved by the Owner and the Manager, or if the Owner and the Manager cannot resolve such dispute, as determined by a final, non-appealable and binding ruling of a court or (if applicable) arbitrator.

2.7 Overdraft Line of Credit. In connection with the Cash Management Services, the Manager may, upon approval of Supermajority of the Board of Manager of the Owner (as defined in the Operating Agreement of the Owner) and on the terms and conditions hereinafter set forth, provide the Owner with an interest-bearing line of credit for working capital requirements up to a maximum borrowing line established by the Manager from time to time (the "Overdraft Line of Credit").

a. Manner of Borrowing. Loans under the Overdraft Line of Credit shall be made in the sole discretion of the Manager by means of the Manager's payment of the Advances of the Owner in excess of the Company Funds Balance.

b. Method of Payment. Payments to the Manager of outstanding amounts under the Overdraft Line of Credit shall be made (a) upon the closing of the financial books each month to the extent of the positive Company Fund Balance; provided, however, that all outstanding amounts under Overdraft Line of Credit shall be immediately due and payable upon the termination of this Agreement or (b) within thirty (30) days of a written demand for such payment delivered to the Owner.

c. Security. To secure payment and performance of any and all obligations of the Owner to the Manager under the Overdraft Line of Credit and any costs and expenses incurred by the Manager to enforce the security interest granted herein, the Owner hereby grants to the Manager a continuing security interest in and lien upon all of Owner's rights, title and interest in, to and in (a) the Company Account, (b) the Company Funds, (c) accounts, including contract rights, (d) general intangibles, and (e) all cash and non-cash proceeds and products thereof (collectively, the "Collateral"). Owner authorizes the filing of one or more financing statements covering the Collateral in form satisfactory to the Manager, and without Owner's signature where authorized by law. The Owner agrees to take such other actions, at the Owner's expense, as might be requested for the perfection, continuation and assignment, in whole or in part, of the security interests granted herein and to assure and preserve the Manager's intended priority position. Notwithstanding the foregoing, the Manager's security interest in the Collateral granted hereunder shall at all times be subordinate to the interest of any senior lender of the Owner.

d. Events of Default. If any of the following events shall occur, then, and in any such event, the Manager may, by notice to the Owner, declare the Overdraft Line of Credit and all interest thereon to be forthwith due and payable and may, without notice to the Company, terminate immediately the Overdraft Line of Credit:

i. The Owner should fail to pay the principal of, or interest on, any borrowings under the Overdraft Line of Credit within ten (10) days of the receipt of notice of such requested payment; or provided that an Event of Default shall not occur in such failure to pay outstanding amounts by the Owner are due to the actions or omission of the Manager or its affiliates; or

ii. Any representation or warranty made or deemed made by the Owner in this Agreement shall prove to have been incorrect in any material respect on or as of the date made or deemed made; or

iii. The Owner shall fail to perform or observe any term, covenant or agreement contained in this Agreement, or the Owner's governing documents (e.g. partnership agreement, operating agreement, etc.) on its part to be performed or observed, which failure shall continue for more than thirty (30) days; or

iv. The Owner (1) shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as such debts become due; or (2) shall make an assignment for the benefit of creditors, petition or apply to any tribunal for the appointment of a custodian, receiver, or trustee for it or a substantial part of its assets; or (3) shall commence any proceeding under any bankruptcy, reorganization, arrangements, readjustment of debt, dissolution or liquidation law or statute of any jurisdiction, whether now or hereafter in effect; or (4) shall have any such petition or application filed or any such proceeding commenced against it in which an order for relief is entered or adjudication or appointment is made; or (5) by an act or omission shall indicate its consent to, approval of, or acquiescence in any such petition, application, or proceeding, or order for relief, or the appointment of a custodian, receiver or trustee for all or any substantial part of its properties; or (6) shall suffer any such custodianship, receivership, or trusteeship; or

v. One or more judgments, decrees or orders for the payment of money in excess of Twenty-Five Thousand Dollars ($25,000.00) in the aggregate shall be rendered against the Owner and such judgments, decrees, or orders shall continue unsatisfied and in effect for a period of sixty (60) consecutive days without being vacated, discharged, satisfied or stayed or bonded pending appeal; or

vi. This Agreement expires or is terminated; or

vii. Any party hereto shall have given the other party notice of its intention to terminate this Agreement.

2.8 Interest. Upon the closing of the financial books of the Owner each month ("Closing Month") the Manager shall determine the average Company Fund Balance for the month prior to the Closing Month ("Average Monthly Company Fund Balance"). In the event the Average Monthly Company Fund Balance is a positive number, then the Owner will receive interest income on such positive amount at the average monthly interest rate of the primary SCA Account into which Company Funds are transferred. If the Average Monthly Company Fund Balance is a negative number as a result of borrowings under the Overdraft Line of Credit or otherwise, the Company will be charged interest at a variable rate equal to the prime lending rate plus one percent (1.0%), as announced by a bank or other financial institution selected by the Manager from time to time.

III. TERM

3.1 Term. The term of this Agreement shall commence as of the Effective Date and shall continue in full force and effect for an initial term of five (5) years (the "**Initial Term**"). At the end of the Initial Term, this Agreement shall automatically renew for successive five (5) year terms (each a "**Renewal Term**" and together with the Initial Term, the "**Term**"). Either party shall have the right to terminate this Agreement at any time that the Manager or its affiliates ceases to own any equity interest in the Owner.

3.2 Termination Upon Default. Notwithstanding the provisions in the foregoing paragraphs, upon ninety (90) days' prior written notice, or ten (10) days' prior written notice upon a payment default, either party (the "**Terminating Party**") shall have the right to terminate this Agreement upon a material breach of this Agreement by the other party (the "**Breaching Party**"). In the event termination is for an alleged material breach other than a payment default, such notice shall describe in detail the basis upon which the Terminating Party believes such termination is justified. Upon receipt of such notice, the Breaching Party shall have ninety (90) days, or ten (10) days with respect to a payment default, during

which to attempt to cure such alleged breach under this Agreement, and upon such cure being effected, the Terminating Party's rights to terminate shall cease and this Agreement will continue in full force and effect; provided, however, that the Breaching Party shall only be entitled to cure two (2) payment defaults in any one (1) calendar year; provided, further, that in the event a Breaching Party has a third payment default in any one (1) calendar year, the Terminating Party shall be entitled to terminate this Agreement immediately upon written notice to the Breaching Party. Furthermore, if the Breaching Party has diligently attempted to effect such a cure of a breach, other than a payment default, within such ninety (90) day period but cannot complete such cure because of the failure of a third party (such as a governmental agency) to act within such period, then the Breaching Party shall have a reasonable time beyond such ninety (90) day period to complete its cure of the alleged breach, but no more than one hundred eighty (180) days.

3.3 Termination Upon Bankruptcy. Either party may terminate this Agreement immediately, upon written notice to the other party, (i) if the other party appoints or consents to the appointment of a receiver, trustee or liquidator of such party or of all or a substantial part of its assets, files a voluntary petition in bankruptcy, makes a general assignment for the benefit of creditors, files a petition or an answer seeking reorganization or arrangements with creditors or to take advantage of any insolvency law, or (ii) if an order, judgment or decree shall be entered by any court of competent jurisdiction, on the application of a creditor, adjudicating such party bankrupt or insolvent, and such order, judgment or decree shall continue unstayed and in effect for any period of ninety (90) days.

3.4 Payment Upon Termination. Upon termination of this Agreement, the Owner shall owe the Manager the full uncontested amount of any fees owing and/or earned or accrued pursuant to the terms hereof, up through and including the date of termination, including all outstanding principal and interest of the Overdraft Line of Credit as set forth in Article II, and any sums of money owed by the Owner to the Manager, including expenses reimbursable hereunder, shall be paid within thirty (30) days following the date of termination. The Manager shall owe and pay immediately to the Owner the amount of the Company Fund Balance, if any, under Article II. Upon termination hereof, the Manager's obligations to perform services hereunder shall cease completely; provided, however, that the Owner and the Manager shall perform such matters as are reasonably necessary, and requested in good faith by either party, to wind up their activities under this Agreement.

3.5 Suspension of Services. Notwithstanding the foregoing, the Manager shall have the right to suspend the provision of services under this Agreement in the event that the Owner fails to pay any of the compensation, fees or costs payable or reimbursable pursuant to Article IV as and when due and such suspension of service shall not be a default by the Manager.

IV. FEE FOR SERVICES

4.1 Reimbursement of Expenses. The Owner shall reimburse the Manager for amounts paid by the Manager during the Term of this Agreement to vendors on behalf of Owner for supplies and equipment, tax return preparation, insurance premiums paid by the Manager for the coverages described in Article VIII hereof, legal fees incurred on behalf of Owner, staffing expenses in accordance with Article V, other services if indicated on Exhibit A as not included in the Management Fee and reasonable out-of-pocket expenses incurred by the Manager in connection with travel, lodging and meals of Manager personnel who make on-site visits to the Center; provided that, (a) such expenses are either included in the operating budget of the Owner or pre-approved by the Owner in accordance with the provisions of the Owner's Operating Agreement; (b) Manager shall submit receipts to the Center evidencing such expenses upon request; and (c) such expenses shall not exceed $15,000.00 annually. Except for costs associated with the Employees, such costs shall not include an allocation of Manager's management team salaries, benefits or its central business office overhead. If the Owner requests that the Manager provide services to the

Owner or for the Center which are not described on Exhibit A, the Manager may charge a reasonable additional fee for such services.

4.2 Fees. The Owner shall pay the Manager for rendering the Management Services and the Cash Management Services a fee equal to three percent (3%) of the Center's annual Net Revenue (as defined below), plus reimbursement of direct expenses incurred by Manager on behalf of the Center (the "**Management Fee**"). "**Net Revenue**" shall mean total patient revenues and other operating revenue (including the proceeds of claims under business interruption insurance policies) minus contractual allowances, provision for bad debt, charity care, condemnation awards, proceeds of claims under casualty insurance policies, proceeds from a sale or debt refinancing, and other capital transactions outside the ordinary course of business, each as determined pursuant to generally accepted accounting principles ("**GAAP**"), as consistently applied by the Manager, on an accrual basis of accounting. Notwithstanding anything herein to the contrary, the Management Fee shall not exceed Three Hundred Thousand Dollars ($300,000.00) per year (the "**Maximum Annual Amount**"), prorated for partial years; provided, however, that the Maximum Annual Amount shall be increased by one and one-half percent (1.5%) on each anniversary of the Effective Date of the Agreement.

4.3 Terms of Payment. The Owner shall pay the Manager the Management Fee and any expenses reimbursable hereunder monthly no later than the thirtieth (30th) day of the month following the month in which the Management Fee was earned or the applicable expense was incurred. All amounts payable to the Manager pursuant to this Agreement that are not paid on or before the date such payments are due shall bear interest of six percent (6%) per year, unless waived by the Manager.

V. STAFFING

5.1 Authority over Employees. During the Term of this Agreement, the Manager shall make available to the Owner the services of all employees reasonably necessary to staff and operate the Center. The parties acknowledge and agree, however, that as of the date of this Agreement, all employees at the Center (the "**Existing Employees**") are employed by Western Connecticut Orthopedic Specialists, P.C. ("**Employer**"). Owner will cause Employer to transition the Existing Employees to become employees of the Manager on or about June 1, 2017, and in accordance with the terms set forth in the Membership Interest Purchase Agreement by and among the Manager, SCA-Western Connecticut, LLC, the Owner, the members of the Owner, and Merritt Healthcare Holdings, LLC, dated as of May 1, 2017 (the "**Purchase Agreement**"). Any Existing Employee who declines an offer of employment from the Manager (which offer is consistent with the provisions of the Purchase Agreement) shall cease to provide services at the Center, unless otherwise agreed to by the Owner and the Manager. The Manager shall employ any new employees assigned to the Center on or after the commencement of this Agreement, except as otherwise agreed by the Owner and the Manager (any such new employees and the Existing Employees are referred to herein collectively as the "**Employees**"). Subject to Section 5.3 below, the Manager shall have the right to terminate the employment of an Employee and to hire such additional individuals as Employees as the Manager determines is reasonably necessary from time to time. Furthermore, the Manager shall have the right to control and direct the Employees as to the performance of duties and as to the means by which such duties are performed.

5.2 Payment for Employees. The Owner shall promptly fund or, as appropriate, reimburse the Manager for all expenses incurred by the Manager, determined in accordance with GAAP with respect to the Employees. Such expenses shall include, but are not limited to, compensation, amounts required to provide employee benefits, federal and state taxes on wages, unemployment compensation premiums and workers' compensation premiums, each as determined in accordance with GAAP. Manager may also obtain, at Owner's expense, commercially reasonable employment practices liability coverage with respect to the Employees.

5.3 Approval of Employees. Upon reasonable grounds, and after giving the Manager appropriate notice and an opportunity to discipline an Employee, the Owner may require the Manager to immediately cause any Employee to no longer provide services at the Center, whereupon, the Manager shall cause such Employee to cease to provide service at the Center; provided, however, that the Manager shall not be required to remove any Employee from providing services at the Center as described herein if, in the Manager's reasonable judgement, and in consultation with the Manager's legal advisors, the Manager believes that removing such Employee would violate applicable law.

VI. INDEPENDENT CONTRACTOR STATUS

Notwithstanding any provision contained herein to the contrary, each of the Owner and the Manager understand and agree that the parties hereto intend to act and perform as independent contractors and that, therefore, neither the Owner nor the Manager is an employee, partner, joint venturer, or, except as explicitly provided for herein, agent of the other.

VII. OWNERSHIP OF INTELLECTUAL PROPERTY; ACCESS TO INFORMATION

7.1 Intellectual Property. During the Term of this Agreement, the Owner and its employees and agents will have access to and become acquainted with confidential information, intellectual property and trade secrets of the Manager, including, without limitation, information and data relating to payor contracts and accounts, clients, billing practices and procedures, business analytics, techniques and methods, strategic plans, operations and related data, program and scheduling systems, manuals, computer software and other information, in whatever form, provided by the Manager in the performance of its obligations hereunder ("**Manager Intellectual Property**"), and the Manager and its employees and agents may have access to proprietary information and intellectual property developed by or for the Owner ("**Owner Intellectual Property**") (Manager Intellectual Property and Owner Intellectual Property may be referred to collectively herein as "**Intellectual Property**"). All Intellectual Property is the property of its original owner and shall be proprietary information protected under the Uniform Trade Secrets Act and other applicable state and federal law. Neither the Manager nor the Owner shall disclose, and each shall cause their respective affiliates, employees, contractors, and any other agents not to disclose to any person or entity, directly or indirectly, either during the Term of this Agreement or at any time thereafter, any Intellectual Property, or use any Intellectual Property other than in the course of meeting such party's obligations under this Agreement. Notwithstanding the foregoing, the Manager shall have the right to use any technical or business expertise obtained during the course of its engagement hereunder in connection with its management of any other facility.

7.2 Social Security Act. To the extent required by Section 1861(v)(1)(i) of the Social Security Act, each party shall, upon proper request, allow the United States Department of Health and Human Services, the Comptroller General of the United States, and their duly authorized representatives access to this Agreement and to all books, documents, and records necessary to verify the nature and extent of costs and services provided by either party under this Agreement, at any time during the Term of this Agreement and for an additional period of four (4) years after the last date services are furnished under this Agreement. If either party carries out any of its duties under this Agreement through a permitted subcontract or similar permitted agreement between it and an individual or organization related to it, that party shall require that a clause be included in such agreement to the effect that until the expiration of four (4) years after the furnishing of services pursuant to such agreement, and to the extent required by Section 1861(v)(1)(i) of the Social Security Act, the related organization will make available, upon written request of the Secretary of Health and Human Services or the Comptroller General of the United States, or any other duly authorized representatives, all agreements, books, documents and records of said related organization that are necessary to verify the nature and extent of the costs of services provided by that agreement.

7.3 Access to Information. Subject to the confidentiality provisions herein, each party shall have access to all applicable records and information, including, but not limited to, documents prepared in connection with the performance of procedures at the Center hereunder ("**Records**"), in order to perform any necessary billing, to conduct utilization review or quality assurance activities, or to prepare the defense of a lawsuit in which those Records may be relevant. Subject to the confidentiality provisions herein, the Manager and its employees and agents, as applicable to their respective duties, will be given reasonable access to the Center and their records, offices and facilities, in order that the Manager and its employees may carry out their obligations hereunder. Notwithstanding anything herein to the contrary, all Records prepared in connection with the care and services rendered to patients at the Center shall be and remain the property of the Owner and shall be treated as confidential pursuant to applicable federal and state law.

7.4 Privilege. The parties agree that any applicable attorney-client, accountant-client or other legal privilege shall not be deemed waived by virtue of this Agreement.

VIII. INSURANCE AND INDEMNIFICATION

8.1 Required Coverages.

a. During the Term of this Agreement, the Manager shall obtain on behalf of the Owner, on commercially reasonable terms and conditions, all at the Owner's sole cost and expense, the following commercially reasonable insurance coverages:

i. Workers' compensation coverage with statutory limits and Employer's Liability coverage with minimum limits of $1,000,000 per accident for bodily injury by accident, $1,000,000 policy limit by disease, and $1,000,000 per employee for bodily injury by disease;

ii. Professional and comprehensive general liability insurance covering the Owner, the Manager, and the Employees (if necessary) in an amount at least equal to $1,000,000 per occurrence, $3,000,000 in the annual aggregate and upon commercially reasonable terms and conditions, and excess insurance above professional and comprehensive general liability insurance in an amount equal to at least $4,000,000 per occurrence and $4,000,000 in the annual aggregate; and

iii. Property and casualty insurance covering the Owner against loss of or physical damage to the Center and the tangible assets used in connection with the operation of the Center.

b. The Manager shall maintain comprehensive general liability insurance covering the Manager in an amount at least equal to $1,000,000 per occurrence and $3,000,000 in the annual aggregate and on commercially reasonable terms and conditions, all at the Manager's sole cost and expense, with a commercial carrier acceptable to both parties.

8.2 Indemnification by the Owner. The Owner hereby agrees to indemnify and hold the Manager, its affiliates and owners, and their respective officers, directors, agents, owners and affiliates (each a "**Manager Indemnified Party**") harmless from and against any and all claims, actions, liabilities, losses, costs and expenses of any nature whatsoever, including reasonable attorneys' fees and other costs of investigating and defending any such claim or action (a "**Loss**"), which may be asserted against any Manager Indemnified Party, in connection with (a) the operation of the Center and the Owner, other than with respect to any Loss incurred by reason of Manager's gross negligence or willful misconduct, and (b) the acts or omissions of the Owner, its medical staff, agents or employees, or the Employees, in each case

other than with respect to any Loss which was incurred by reason of Manager's gross negligence or willful misconduct. This Section 8.2 shall constitute the sole obligation of the Owner with respect to any Loss and any claims arising out of this Agreement and/or the relationship created hereby, whether such claim is based in contract, tort, fraud or otherwise.

8.3 Indemnification by the Manager. The Manager hereby agrees to indemnify and hold harmless the Owner, its affiliates and owners, and their respective officers, directors, employees agents, owners and affiliates (each an "**Owner Indemnified Party**") from and against any and all Losses which may be asserted against any Owner Indemnified Party as a result of the gross negligence or willful misconduct of the Manager in connection with the performance by the Manager of its duties hereunder. This Section 8.3 shall constitute the sole obligation of the Manager with respect to any Loss and any claims arising out of this Agreement, the services provided by the Manager and/or the relationship created hereby, whether such claim is based in contract, tort, fraud or otherwise. For the avoidance of doubt, this Section 8.3 shall not be the Owner's sole remedy for any Loss related to Manager's breach of this Agreement.

8.4 Acts of the Employees and Medical Staff. Any omission or action taken by (i) any employee of the Manager working primarily at the Center, or (ii) the Employees, shall not constitute action taken or omitted by or on behalf of the Manager for purposes of this Agreement, and the Owner Indemnified Parties shall not be entitled to seek indemnification for any Loss resulting from such act or omission. Notwithstanding the foregoing, any omission or action taken by any employee of the Manager that is outside the scope of employment and taken at the specific direction of the Manager shall constitute action taken or omitted by or on behalf of the Manager for purposes of this Agreement and the Owner Indemnified Parties shall be entitled to seek indemnification for any Loss resulting from such act or omission. Further, in no event shall the Manager be liable under this Agreement for any act of professional malpractice committed by any Medical Staff Physician (as hereinafter defined), or other member of a Center's medical staff.

IX. MEDICAL STAFF

The Owner shall admit physicians (the "**Medical Staff Physicians**") to the medical staff of the Center to render the surgical and other medical services at the Center, and the Owner shall be responsible for credentialing of all Medical Staff Physician applicants; provided, however, that the Manager shall provide administrative support in connection with such credentialing process, including the application process, scheduling of meetings of the appropriate committees of the medical staff, and communicating with the applicants.

X. HIPAA

The parties will enter into a Business Associate Agreement substantially in the form of Exhibit B hereto, with such changes and revisions as the parties agree.

XI. NOTICES

All notices, demands, requests and other communications or documents required or permitted to be provided under this Agreement shall be provided in writing and shall be given to the applicable party at its address set forth below or such other address as the party may later specify for that purpose by notice to the other party:

If to the Manager: Surgical Care Affiliates, LLC
569 Brookwood Village, Suite 901
Birmingham, AL 35209
Attention: General Counsel

If to the Owner: Western Connecticut Orthopedic Surgical Center
226 White Street
Danbury, CT 06810
Attention: Vice President

With a copy to: McGuireWoods LLP
201 North Tryon Street Suite 3000
Charlotte, NC 28202
Attention: Bart Walker

Each notice shall, for all purposes, be deemed given and received:

if by hand, when delivered;

if given by nationally recognized and reputable overnight delivery service, the Business Day on which the notice is actually received by the party; or

if given by certified mail, return receipt requested, postage prepaid, five (5) Business Days after posted with the United States Postal Service.

XII. MISCELLANEOUS

12.1. Authority. Each individual signing this Agreement warrants that such execution has been duly authorized by the party for which he is signing. The execution and performance of this Agreement by each party has been duly authorized by all applicable laws and regulations and all necessary corporate action, and this Agreement constitutes the valid and enforceable obligation of each party in accordance with its terms.

12.2 Agreement. This Agreement supersedes any and all prior agreements, either oral or written, between the parties with respect to the subject matter of this Agreement (including any term sheet or similar agreement or document relating to the transactions contemplated hereby). This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof, and no party shall be entitled to benefits other than those specified herein.

12.3 Governing Law. This Agreement shall be construed and enforced in accordance with the laws of the State of Connecticut without regard to its conflicts of law principles.

12.4 Interpretation. Wherever from the context it appears appropriate, each term stated in either the singular or the plural shall include the singular and the plural, and pronouns stated in the masculine, the feminine or the neuter gender shall include the masculine, feminine and neuter. The term "**person**" means any individual, corporation, partnership, trust or other entity. No provision of this Agreement shall be interpreted for or against either party hereto on the basis that such party drafted such provision, each party having participated equally in the drafting hereof, and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any of the provisions of this Agreement.

12.5 Headings. The headings used in this Agreement have been inserted for convenience and do not constitute provisions to be construed or interpreted in connection with this Agreement.

12.6 Counterparts. This Agreement may be executed in two (2) or more counterparts with the same effect as if all parties hereto had signed the same document. All counterparts shall be constructed

together and shall constitute one agreement. Electronically-transmitted signatures on this Agreement shall be deemed to be original signatures for all purposes. Signature pages transmitted electronically shall be treated as originals.

12.7 Amendments. This Agreement may be modified or amended only by a written instrument duly executed by each of the parties hereto.

12.8 Waiver. Failure by any party to enforce any of the provisions hereof for any length of time shall not be deemed a waiver of its rights set forth in this Agreement. Such a waiver may be made only by an instrument in writing signed by the party sought to be charged with the waiver. No waiver of any condition or covenant of this Agreement shall be deemed to imply or constitute a further waiver of the same or any other condition or covenant, and nothing contained in this Agreement shall be construed to be a waiver on the part of the parties of any right or remedy at law or in equity or otherwise.

12.9 Business Days. If any due date contained herein falls on a Saturday, Sunday or legal holiday, the due date shall be deemed to be the following Business Day.

12.10 WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHTS IT MAY HAVE TO DEMAND THAT ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR IN ANY WAY RELATED TO THIS AGREEMENT OR THE RELATIONSHIPS OF THE PARTIES HERETO BE TRIED BY JURY. THIS WAIVER EXTENDS TO ANY AND ALL RIGHTS TO DEMAND A TRIAL BY JURY ARISING FROM ANY SOURCE INCLUDING, BUT NOT LIMITED TO, THE CONSTITUTION OF THE UNITED STATES OR ANY STATE THEREIN, COMMON LAW OR ANY APPLICABLE STATUTE OR REGULATIONS. EACH PARTY HERETO ACKNOWLEDGES THAT IT IS KNOWINGLY AND VOLUNTARILY WAIVING ITS RIGHT TO DEMAND TRIAL BY JURY.

12.11 Severability. If any provision of this Agreement is held to be illegal, invalid or unenforceable under any present or future law, (a) such provisions will be fully severable, (b) this Agreement will be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part hereof, (c) the remaining provisions of this Agreement will remain in full force and effect and will not be affected by the illegal, invalid or unenforceable provision or by its severance herefrom; and (d) in lieu of such illegal, invalid or unenforceable provision, there will be added automatically as a part of this Agreement a legal, valid and enforceable provision as similar in terms to such illegal, invalid or unenforceable provision as may be possible.

12.12 Compliance with Laws. The parties agree to conduct their relationship in full compliance with all applicable state, federal and local laws and regulations, including, but not limited to, the federal Anti-Kickback Statute (42 U.S.C. § 1320a-7b(b)). The parties agree that no part of this Agreement shall be construed to induce or encourage the referral of patients or the purchase of health care services or supplies. The parties acknowledge that there is no requirement under this Agreement or any other agreement between the Manager or any affiliate thereof and the Owner that any party refer any patients to any health care provider or purchase any health care goods or services from any source. Additionally, no payment under this Agreement is in return for the referral of patients, if any, or in return for purchasing, leasing or ordering services from the Manager or any of its affiliates. The parties may refer patients to any company or person providing services and will make such referrals, if any, consistent with professional medical judgment and the needs and wishes of the relevant patients.

12.13 No Conflict of Interest. It is hereby acknowledged that the Manager and its affiliated companies are currently in the business of owning and operating ambulatory surgery centers and hospitals and other health facilities, and providing management services and related services to other entities apart

from the services that the Manager will provide to the Center under this Agreement. Nothing in this Agreement shall prohibit the Manager or any of its affiliated companies from owning ambulatory surgery centers or other health facilities or from providing such management services or related services or other activities.

12.14 Survival. Articles VII, VIII (except Section 8.1), XI and XII and the Owner's obligation to pay the Manager pursuant to Section 3.5 shall survive the termination of this Agreement.

12.15 Changes in Law. To the extent that changes in law or regulation or definitive changes in the construction of law or regulation articulated by an appropriate regulatory entity, court of law or a mutually acceptable opinion of counsel require the restructuring of the relationship between the parties established by this Agreement, the parties shall negotiate in good faith to amend this Agreement and otherwise restructure their relationship in order to effectuate their mutually agreed upon purposes

12.16 Force Majeure. If any of the parties hereto is delayed or prevented from fulfilling any of its obligations under this Agreement by "Force Majeure" (as defined below), said party shall not be liable under this Agreement for said delay or failure. "**Force majeure**" shall mean any cause beyond the reasonable control of a party, including, but not limited to, act of God, act or omission or civil or military authorities of a state or nation, fire, strike, flood, riot, war, delay of transportation or any other act or omission beyond the reasonable control of a party.

12.17 Assignment. The Manager may not assign this Agreement without the prior written consent of the Owner, except that such consent shall not be required for an assignment to any person or entity that is wholly owned, directly or indirectly, by the Manager, which shall not include unaffiliated third parties, including but not limited to hospitals, physician groups or surgery center management companies. The Owner may not assign this Agreement without the prior written consent of the Manager. The sale of (i) fifty percent (50%) or more of the assets or equity of the Owner during the term of this Agreement or (ii) any assets or equity of the Owner to a hospital, surgery center or any other provider (or affiliate of a provider) that provides outpatient surgical services (or to any physician who is an employee, owner, joint venture partner or provider of any administrative/ consulting/management services to such an entity) is deemed an assignment requiring the prior written consent of the Manager. All of the terms, provisions, covenants, conditions and obligations of this Agreement shall be binding on and inure to the benefit of the successors and assigns of the parties hereto.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties have executed this Management Agreement as of the Effective Date.

MANAGER:

SURGICAL CARE AFFILIATES, LLC

By: _____

Name: Richard L. Sharff, Jr.

Title: Executive Vice President

OWNER:

WESTERN CONNECTICUT ORTHOPEDIC SURGICAL CENTER, LLC

By: _____

Name: _____

Title: _____

Exhibit A

MANAGEMENT SERVICES

NOTE: In addition to describing the services provided by the Manager in consideration of its Management Fee, this Exhibit A sets forth certain common services obtained by the Manager from third party vendors, with the expense of such vendor services being passed through by the Manager to the Owner (and Manager oversight of vendor included in Management Fee). This Exhibit also identifies certain services which are not covered by the Management Fee.

Service	Included in Management Fee	Not Included in Management Fee	Comments
Financial Services Support			
Bank Relations/Reconciliations	X		SCA to establish accounts at designated bank
Arranging for Equipment Financing	X		
Accounting	X		SCA to prepare monthly statements, excluding audit costs
Coordination and Administration of Tax Returns & K-1 Preparation		X	Tax preparation fee not included in Management Fee
General Tax Matters – Annual Reports/Property/Franchise		X	External fees passed through to Owner
Financial Benchmarking	X		Comparison with other SCA facilities
Budget Preparation	X		
Receive Charge Master File & Download into Owner System	X		
Governmental and Work Comp Payor Contracting	X		
Third Party Payor and State and Federal Agency Contracting	X		
Contractual Adjustment Analysis/ AR Review Potential Payer Liability	X		
Business Office Assessment & Training	X		
Deposit/dispense funds for Center's operating expenses	X		
Maintain books, journals, ledgers, check register, payroll records	X		
Establish receivables, credit, collection practices	X		
Process invoices / Accounts Payable	X		
Process payroll from timesheet summaries	X		
Establish and oversee billing procedures	X		

Service	Included in Management Fee	Not Included in Management Fee	Comments
FINANCIAL REPORTING – Monthly / Profit & Loss	X		
Accounting close cycle	X		
Risk Management/Insurance			
Insurance Program Oversight and Consultation	X		
Claim Coordination and Administration		X	Pass-through expense included in premium allocation.
Risk Management Education	X		As needed
IT Systems			
Help Desk: Tier 1 & 2		X	Included in pass through IT fee
Secure Email/Exchange		X	Included in pass through IT fee
Anti-Virus		X	Included in pass through IT fee
Microsoft Office Applications		X	Included in pass through IT fee
Windows OS (Operating System)		X	Included in pass through IT fee
Data Storage		X	Included in pass through IT fee
DBA (database support)		X	Included in pass through IT fee
Network Support		X	Included in pass through IT fee
Security Support		X	Included in pass through IT fee
Windows Server Support		X	Included in pass through IT fee
Data Backups		X	Included in pass through IT fee
Internet		X	Included in pass through IT fee
Software License Compliance Monitoring		X	Included in pass through IT fee
Software Vendor Coordination and Troubleshooting		X	Included in pass through IT fee: Support limited to specified software
Website Development and Maintenance		X	If applicable
RightFax		X	If applicable
Management/Billing/ Collections/ Admitting/Scheduling/Systems		X	Third party software licensing fees passed through to Owner
Purchasing/Materials Management Systems		X	Third party vendor fee passed through to Owner
Compliance			
Corporate Compliance Training and Audit Program	X		
HIPAA Training and Audit Program	X		
Clinical Support			
Benchmarking Quality Data	X		

Service	Included in Management Fee	Not Included in Management Fee	Comments
Accreditation Survey Preparation	X		Excludes travel expenses and incidental costs
Policy and Procedure Resources	X		
Staffing and Productivity Evaluation	X		
OR Efficiency Performance	X		
Measure Development and Benchmarking	X		
CMS Survey Preparation	X		Excludes travel expense and incidental costs
Patient Satisfaction Survey Ongoing		X	Expense of survey administration passed to Owner
Patient Satisfaction Survey Analysis and Benchmarking	X		
Physician Satisfaction Survey Annually		X	Expense of survey administration passed to Owner
Physician Satisfaction Survey Analysis and Benchmarking	X		
DON Leadership training	X		Excludes travel expenses and incidental costs
Medical record system implementation	X		
Human Resources Guidance			
Benefits Administration	X		
Payroll Administration and Processing		X	Licensing expenses from third party payroll vendor passed to Owner
Annual Employee Engagement Survey Processing		X	Cost from vendor to administer survey passed to Owner
Employee Satisfaction Survey Analysis and Benchmarking	X		
Employee Handbook Updates	X		
Human Resources Guidance	X		
401k Plan Administration/ Testing/5500's	X		
Employee Education Program	X		
Materials Management Support			
GPO Contracting and Coordination	X		
Distributor Contracting and Coordination	X		
Vendor Contracting	X		
Vendor Pricing Monitoring Against Negotiated Rates	X		
Product Selection and Pricing Review	X		

Service	Included in Management Fee	Not Included in Management Fee	Comments
Capital Equipment Evaluation and Negotiation	X		
Implant Cost Reduction Program	X		
Materials System Assessment and Support	X		
Preference Card Review and Physician Feedback Program	X		
Other Operational Support			
Local Operational Support: Administrative Support, On-Site Visits	X		
Staffing Review, Productivity Monitoring	X		
Regular Monitoring & Action Plan for SCA Vitals	X		
Contract Negotiations for Professional Services	X		
Board Communications and Attendance	X		
Partner Relations Management	X		
Annual Extension of Practice Safe Harbor Certifications (if applicable)		X	Additional annual base fee, plus hourly charges in the event that a partner challenges a determination; any necessary external legal fees passed through to Owner

Exhibit B

BUSINESS ASSOCIATE AGREEMENT

(See attached.)

BUSINESS ASSOCIATE AGREEMENT

THIS BUSINESS ASSOCIATE AGREEMENT (this "Agreement"), dated May 1, 2017 (the "Effective Date"), is entered into by and between **WESTERN CONNECTICUT ORTHOPEDIC SURGICAL CENTER, LLC** ("Covered Entity"), which operates a healthcare facility located in Bridgeport, Connecticut (the "Center") and **SURGICAL CARE AFFILIATES, LLC**, a Delaware limited liability company ("Business Associate") (individually, a "Party" and collectively, the "Parties"), and supersedes and amends any prior Business Associate Agreement, and any amendments thereto between the Parties.

RECITALS

WHEREAS, Covered Entity and Business Associate have entered into, or are entering into, or may subsequently enter into, agreements or other documented arrangements (collectively, the "Business Arrangements"), including, but not limited to, a Management Agreement, dated May 1, 2017, pursuant to which Business Associate may create, receive, maintain, or transmit data for or from Covered Entity that constitutes Protected Health Information to perform services ("Services") on behalf of Covered Entity; and

WHEREAS, Covered Entity is or may be subject to the requirements of the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), the Health Information Technology for Economic and Clinical Health Act (the "HITECH Act"), and the implementing regulations set forth at 45 CFR Parts 160, 162, and 164 (the "HIPAA Regulations"); and

WHEREAS, to the extent required by the HIPAA Regulations and applicable state law, Business Associate is or may be directly subject to certain privacy and security obligations and penalty provisions of the HIPAA Regulations and state law.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual covenants contained herein, the Parties, intending to be legally bound, agree as follows:

I. DEFINITIONS

Capitalized terms used but not otherwise defined in this Agreement shall have the same meaning as those terms in the HIPAA Regulations. "PHI" shall have the same meaning as the term "Protected Health Information" in 45 CFR 160.103, limited to the information created, received, maintained, or transmitted by Business Associate from or on behalf of Covered Entity. "Electronic PHI" shall have the same meaning as the term "Electronic Protected Health Information" in 45 CFR 160.103, limited to the information created, received, maintained, or transmitted by Business Associate from or on behalf of Covered Entity. "Unsecured PHI" shall have the same meaning as the term "Unsecured Protected Health Information" in 45 CFR 164.402, limited to the information created, received, maintained, or transmitted by Business Associate from or on behalf of Covered Entity.

II. EFFECT OF AGREEMENT

The Parties agree that any ambiguity in this Agreement shall be resolved in favor of a meaning that permits the Parties to comply with HIPAA, the HITECH Act, the HIPAA Regulations, and applicable state law.

III. BUSINESS ASSOCIATE OBLIGATIONS

(A) **Permitted Uses and Disclosures:** Business Associate shall not use and disclose PHI other than as expressly permitted or required by this Business Associate Agreement or as Required by Law. Except as otherwise limited in this Business Associate Agreement, Business Associate is permitted to use and disclose PHI as follows:

(i) Business Associate may use and disclose PHI to perform functions, activities, or services for, or on behalf of, Covered Entity as specified in the Business Arrangements, provided that use or disclosure would not violate the HIPAA Regulations if done by Covered Entity.

(ii) Business Associate may use and disclose PHI for the proper management and administration of the Business Associate or to carry out the legal responsibilities of the Business Associate (collectively, "Business Associate's Operations"), provided that Business Associate may only disclose PHI for Business Associate's Operations if the disclosure is Required By Law or Business Associate obtains reasonable assurances, evidenced by a written contract, from the recipient that the recipient will: (1) hold such PHI in confidence and use or further disclose it only for the purpose for which Business Associate disclosed it to the recipient or as Required By Law; and (2) notify Business Associate of any instance of which the recipient becomes aware in which the confidentiality of such PHI has been breached without unreasonable delay.

(iii) Business Associate may use PHI to provide Data Aggregation services to Covered Entity as permitted by 45 CFR 164.504(e)(2)(i)(B).

(iv) Business Associate may use PHI to create information that is de-identified in accordance with 45 CFR 164.514.

(v) Business Associate may use and disclose PHI as otherwise permitted by law, provided that such use or disclosure would not violate the HIPAA Regulations if done by Covered Entity directly and provided that Covered Entity gives its prior written consent.

(vi) To the extent Covered Entity notifies Business Associate of a restriction request granted by Covered Entity that would limit Business Associate's use or disclosure of PHI, Business Associate will comply with the restriction.

(vii) To the extent Business Associate is authorized to make disclosures directly to health plans, Business Associate shall not disclose PHI to a health plan for payment or health care operations purposes if the patient has requested this special restriction, and has paid out of pocket in full for the health care item or service to which the PHI solely relates, as required by 42 USC 17935(a).

(viii) Notwithstanding anything herein to the contrary, Business Associate shall not use or disclose PHI for purposes of marketing or fundraising, as defined in the HIPAA Regulations, the HITECH Act, and applicable state law.

(ix) Notwithstanding anything herein to the contrary, Business Associate shall not sell or receive remuneration, directly or indirectly, in exchange for PHI; provided,

however, that this prohibition shall not be construed to limit or otherwise affect payment by Covered Entity to Business Associate for services provided pursuant to the Business Arrangements.

(B) **Compliance:** Business Associate shall be directly responsible for full compliance with the applicable requirements of the HIPAA Regulations to the same extent as Covered Entity. To the extent Business Associate is to carry out an obligation of Covered Entity under the HIPAA Regulations, Business Associate shall comply with the requirements of the HIPAA Regulations that apply to Covered Entity in the performance of such obligation.

(C) **Minimum Necessary:** Business Associate represents that the PHI requested, used, or disclosed by Business Associate shall be the minimum amount necessary to carry out the purposes of the Business Arrangements. To the extent the requirements of 45 CFR 164.502(b) apply, Business Associate will limit all of its uses and disclosures of, and requests for, PHI (1) when practical, to the information making up a Limited Data Set, and (2) in all other cases, to the minimum amount of PHI necessary to accomplish the intended purpose of the use, disclosure, or request.

(D) **Business Associate Agents:** Business Associate shall ensure that each agent or subcontractor that creates, receives, maintains, or transmits PHI on behalf of Business Associate agrees in writing to the same restrictions and conditions that apply to Business Associate pursuant to this Business Associate Agreement.

(E) **Appropriate Safeguards; Security:** Business Associate shall use and maintain reasonable and appropriate administrative, technical, and physical safeguards to prevent uses and disclosures of PHI other than as permitted in this Business Associate Agreement. In addition, Business Associate agrees to comply with the applicable requirements of 45 C.F.R. Part 164 Subpart C with respect to Electronic PHI and any guidance issued by the Secretary of the Department of Health and Human Services.

(F) **Access to Records:** Business Associate shall make its internal practices, books, and records relating to the use and disclosure of PHI received from, or created or received by Business Associate on behalf of, Covered Entity available to Covered Entity, or to the Secretary of the Department of Health and Human Services, for purposes of determining compliance with the HIPAA Regulations.

(G) **Improper Access, Use, or Disclosure; Security Incident; Breach:** Business Associate shall promptly report to Covered Entity in writing any access, use, or disclosure of PHI not permitted by this Business Associate Agreement, any Security Incident, and any Breach of Unsecured PHI of which it becomes aware or which it discovers without unreasonable delay.

(i) A Breach shall be treated as discovered by Business Associate as of the first day on which such Breach is known to Business Associate, or by exercising reasonable diligence would have been known to Business Associate. Business Associate shall be deemed to have knowledge of a Breach if the Breach is known by, or by exercising reasonable diligence would have been known to, any person, other than the person committing the Breach, who is an employee, officer, or other agent of Business Associate.

(ii) Any report of Breach required by this section shall include the information specified in 45 CFR 164.410.

(iii) Business Associate shall promptly provide Covered Entity with updates of information concerning the details of any unauthorized access, use, or disclosure of PHI, Security Incident, or Breach.

(iv) Business Associate shall mitigate, to the extent practicable, any harmful effect that is known to Business Associate of a use or disclosure of PHI by Business Associate in violation of the requirements of this Business Associate Agreement, a Security Incident, or a Breach of Unsecured PHI.

(v) It is the sole responsibility of Covered Entity to notify individuals of any Breach of Unsecured PHI. Business Associate shall cooperate with Covered Entity in the provision of any such notification.

(vi) Notwithstanding Business Associate's obligation to notify Covered Entity of any Security Incident, the Parties acknowledge and agree that this Section constitutes notice by Business Associate to Covered Entity of the ongoing existence and occurrence of attempted but Unsuccessful Security Incidents (as defined below) for which no additional notice to Covered Entity shall be required. "Unsuccessful Security Incidents" shall include, but not be limited to, pings and other broadcast attacks on Business Associate's firewall, port scans, unsuccessful log-on attempts, denials of service, and any combination of the above, so long as no such incident results in unauthorized access, use, or disclosure of Electronic PHI.

(vii) Business Associate shall report to Covered Entity in writing any security incident or breach of personal information for which applicable state law may require notification or other action by either Business Associate or Covered Entity. Any such report shall be made in accordance with the requirements of the relevant state law.

(H) **Access to PHI; Amendment of PHI:** To the extent that the Parties mutually agree in writing that PHI is part of a Designated Record Set, and that such Designated Record Set (or a portion thereof) is to be maintained by Business Associate, as set forth and agreed to in **Schedule A**:

(i) Business Associate shall, within ten (10) days after a written request from Covered Entity, provide access, at the request of the Covered Entity, and in the time and manner designated by the Covered Entity, to such PHI to Covered Entity or, as directed by the Covered Entity, to an Individual in order to meet the requirements of 45 CFR 164.524.

(ii) If the requested PHI is maintained electronically, Business Associate shall provide a copy of the PHI in the form and format requested by the Individual, if it is readily producible, or, if not, in a readable electronic form and format agreed to by Covered Entity and the Individual.

(iii) In the event that any individual requests access to PHI directly from Business Associate, Business Associate shall immediately and in no event later than ten (10)

days of receiving such request forward the request to Covered Entity. Any denials of access to the PHI requested shall be the responsibility of Covered Entity.

(iv) Business Associate shall, within ten (10) days after a written request from Covered Entity, make amendments to such PHI as directed or agreed to by Covered Entity in accordance with the requirements of 45 CFR 164.526.

(v) In the event that a request for an amendment is delivered directly to Business Associate, Business Associate shall immediately and in no event later than ten (10) days of receiving such request forward the request to Covered Entity.

(I) **Accounting:** Business Associate shall document such disclosures of PHI and information related to such disclosures and, within ten (10) days after Covered Entity's written request, shall provide to Covered Entity or to an Individual, in the time and manner designated by Covered Entity, information collected in accordance with this section, as would be required for Covered Entity to respond to a request by an Individual for an accounting of disclosures of PHI in accordance with 45 CFR 164.528. In the event that a request for an accounting is delivered directly to Business Associate, Business Associate shall immediately and in no event later than ten (10) days of receiving such request forward the request to Covered Entity.

IV. COVERED ENTITY'S OBLIGATIONS

(A) **Notice of Privacy Practices:** Covered Entity shall provide Business Associate with the notice of privacy practices that Covered Entity produces in accordance with 45 CFR 164.520, as well as any subsequent changes to such notice of privacy practices.

(B) **Changes in Access by Individual:** Covered Entity shall provide Business Associate with any changes in, or revocation of, permission by an Individual to use or disclose PHI, if such changes affect Business Associate's permitted or required uses and disclosures.

(C) **Restrictions on Use and Disclosure of PHI:** Covered Entity shall notify Business Associate of any restriction to the use or disclosure of PHI that Covered Entity has agreed to in accordance with 45 CFR 164.522.

V. TERMINATION

(A) **Term:** The Term of this Agreement shall be effective as of the Effective Date and shall remain in effect until termination of the Business Arrangements; provided, however, that certain obligations shall survive termination of this Agreement as set forth in Section V(C).

(B) **Termination for Cause:** Covered Entity may immediately terminate this Agreement in the event that Business Associate materially breaches any provision of this Agreement. In its sole discretion, Covered Entity may permit Business Associate the ability to cure or take substantial steps to cure such material breach to Covered Entity's satisfaction within thirty (30) days after receipt of written notice from Covered Entity. If termination pursuant to this section is infeasible, Covered Entity shall report the breach to the Secretary of the Department of Health and Human Services.

(C) **Return or Destruction of PHI:** Upon termination, if feasible, Business Associate shall return or destroy, at no cost to Covered Entity, all PHI that Business Associate still

maintains in any form and shall retain no copies of such information. Prior to doing so, Business Associate further agrees to recover any PHI in the possession of its subcontractors or agents. If it is infeasible to return or destroy PHI, Business Associate shall provide to Covered Entity notification of the conditions that make return or destruction of PHI infeasible and Business Associate shall continue to extend the protections of this Agreement to such PHI, and limit further use of such PHI solely to those purposes that make the return or destruction of such PHI infeasible. The provisions of this section shall survive the expiration or termination of this Business Associate Agreement.

VI. MISCELLANEOUS

(A) **Amendment to Comply with Law:** The Parties acknowledge that it may be necessary to amend this Business Associate Agreement to comply with modifications to HIPAA, the HITECH Act, the HIPAA Regulations, and applicable state law, including but not limited to statutory or regulatory modifications or interpretations by a regulatory agency or court of competent jurisdiction. The Parties agree to use good faith efforts to develop and execute any amendments to this Business Associate Agreement as may be required by any such modifications.

(B) **Amendment:** This Business Associate Agreement may be amended or modified only in writing signed by the Parties.

(C) **Assignment:** Notwithstanding anything in the Business Arrangements to the contrary, neither Party may assign this Business Associate Agreement, in whole or in part, without the prior written consent of the other Party; provided, however, that Business Associate may assign this Business Associate Agreement without the consent of the other Party to an affiliate or in conjunction with a merger, reorganization, consolidation, change of control or sale of all or substantially all of its assets. Subject to the requirements of this paragraph, this Business Associate Agreement shall be binding upon and inure to the benefit of the respective successors and permitted assigns of the Parties.

(D) **No Third Party Beneficiaries; Agency Relationship:** Nothing expressed or implied in this Business Associate Agreement is intended to confer, nor shall anything herein confer, upon any person other than Covered Entity, Business Associate and their respective successors or assigns, any rights, remedies, obligations or liabilities whatsoever. Nothing in this Business Associate Agreement shall be construed to create any agency relationship between the parties.

(E) **Governing Law:** This Business Associate Agreement shall be governed by and construed in accordance with the substantive law of the state in which the Center is located without regard to conflicts of laws principles.

(F) **Paragraph Headings:** The paragraph headings in this Business Associate Agreement are for convenience only. They form no part of this Business Associate Agreement and shall not affect its interpretations.

[Signature Page Follows]

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the Effective Date.

COVERED ENTITY:

WESTERN CONNECTICUT ORTHOPEDIC SURGICAL CENTER, LLC

By: _____

Name: _____

Title: _____

BUSINESS ASSOCIATE:

SURGICAL CARE AFFILIATES, LLC

By: _____

Name: Richard L. Sharff, Jr.

Title: Executive Vice President

SCHEDULE A

Identification of Designated Record Set

As contemplated in Section III(H), the Parties agree to the provision marked below:

☒ The PHI that Business Associate creates, receives, maintains, or transmits from or on behalf of Covered Entity, or has access to, in the course of providing services pursuant to the Business Arrangements constitutes a Designated Record Set (or a part thereof), and such Designated Record Set (or portion thereof) shall be maintained by Business Associate.

☐ The PHI that Business Associate creates, receives, maintains, or transmits from or on behalf of Covered Entity, or has access to, in the course of providing services pursuant to the Business Arrangements DOES NOT constitute a Designated Record Set (or a part thereof), and NO such Designated Record Set (or portion thereof) shall be maintained by Business Associate.

EXHIBIT F

OWNERS RESTRICTIVE COVENANT

See attached

EXECUTION VERSION

OWNERS RESTRICTIVE COVENANT

THIS OWNERS RESTRICTIVE COVENANT (this "Agreement") is entered into effective as of May 1, 2017, by and between **SCA-WESTERN CONNECTICUT, LLC** ("Buyer"), and the undersigned parties (each an "Owner" and collectively, the "Owners").

RECITALS

WHEREAS, Western Connecticut Orthopedic Surgical Center, LLC, a Connecticut limited liability company (the "Company"), owns and operates Western Connecticut Orthopedic Surgical Center located in Danbury, Connecticut (the "Center");

WHEREAS, the Owners are all of the members of Merritt Healthcare Holdings, LLC, a Delaware limited liability company ("Merritt");

WHEREAS, Merritt is the sole member of Merritt Healthcare Holdings Danbury, LLC, a Delaware limited liability company ("MHH-Danbury");

WHEREAS, pursuant to that certain Membership Interest Purchase Agreement dated as of even date herewith (the "Purchase Agreement"), by and among Buyer, the Company, all of the members of the Company (including MHH-Danbury), Merritt and Surgical Care Affiliates, LLC ("SCA"), MHH-Danbury has agreed to sell, and Buyer has agreed to purchase from MHH-Danbury, its entire fifteen percent (15%) membership interest in the Company;

WHEREAS, MHH-Danbury has agreed to refrain from certain activities that are competitive with Company in the operation of the Center, as set forth in Article X of the Purchase Agreement;

WHEREAS, pursuant to Section 10.7 of the Purchase Agreement, MHH-Danbury has agreed to cause each individual with a direct or indirect ownership interest in MHH-Danbury to execute a restrictive covenant in a form substantially similar to MHH-Danbury's covenants contained in Article X of the Purchase Agreement;

WHEREAS, each Owner will receive, directly or indirectly, through Owner's indirect ownership interest in MHH-Danbury, the benefit of the Purchase Price paid by Buyer to MHH-Danbury under the Purchase Agreement; and

WHEREAS, as contemplated in the Purchase Agreement and as an inducement to Buyer to consummate the transactions contemplated by the Purchase Agreement, each Owner has agreed to the provisions contained in this Agreement and each Owner acknowledges that if each Owner did not enter into this Agreement, the consideration paid by Buyer to MHH-Danbury under the Purchase Agreement would be reduced.

AGREEMENT

NOW THEREFORE, in consideration of the mutual promises contained herein and in the Purchase Agreement and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the undersigned parties agree as follows:

1. **Definitions.** Capitalized terms not otherwise defined herein shall have the meanings set forth in the Purchase Agreement.

2. **Restrictive Covenant.**

2.1 ***Restrictive Covenants.*** Each Owner agrees that he shall not, directly or indirectly, do any of the following within twenty-five (25) miles from the address of the Center (the "Restricted Area"). For purposes of clarification, the Owners may engage in the following activities outside of the Restricted Area. Further, for the avoidance of doubt, the advisory activity by the Owners in the areas of mergers and acquisition is outside the scope of this restrictive covenant.

(a) Partner with (as joint venturers or common owners of any facility, including an ambulatory surgery center, a hospital, or an office-based or practice-based facility or operating site or room that provides any of the services offered by the Company (each a "Competing Facility")), induce or attempt to induce any officer, director or employee of the Company, or any physician or other health care professional who has an ownership or investment interest in the Company, in each case as of the Phase I Closing Date, to withdraw from the ownership or employ of the Company or the Center or adversely alter such individual's relationship with the Company or the Center, for a period of four (4) years following the Phase I Closing Date, provided that no advertisement in a newspaper, on the Internet, or other publication of general circulation and no admission to a medical staff of such individuals as a result of any such advertisement or without solicitation or inducement shall be prohibited by this Section 2.1(a) (but entering into any other arrangement with any officer, director, physician or other health care professional as a result of any such advertisement shall be prohibited);

(b) Partner with (as joint venturers or common owners of any Competing Facility), induce or attempt to induce any physician who has an ownership or investment interest, in each case as of the Phase I Closing Date, in any of the SCA facilities set forth on Schedule 10.2 of the Purchase Agreement to withdraw from the ownership or employ of such SCA facility or facilities or adversely alter such individual's relationship with such SCA facility or facilities, for a period of three (3) years following the Phase I Closing Date, provided that no advertisement in a newspaper, on the Internet, or other publication of general circulation and no admission to a medical staff of such individuals as a result of any such advertisement or without solicitation or inducement shall be prohibited by this Section 2.1(b) (but entering into any other arrangement as a result of any such advertisement shall be prohibited); or

(c) Partner with (as joint venturers or common owners of any Competing Facility) or induce or attempt to induce any member of the Center's medical staff, in each case as of the Phase I Closing Date to withdraw from the medical staff or employ of the Center or adversely alter such individual's relationship with the Company or the Center, for a period of three (3) years following the Phase I Closing Date, provided that no advertisement in a newspaper, on the Internet, or other publication of general circulation and no admission to a medical staff of such individuals as a result of any such advertisement or without solicitation or inducement shall be prohibited by this Section 2.1(c) (but entering into any other arrangement as a result of any such advertisement shall be prohibited).

*2.2 **Equitable Remedy.*** Each Owner acknowledges that the restrictions contained in Section 2.1 are reasonable and necessary to protect the legitimate interests of Buyer and that any violation of such restrictions may result in irreparable injury to the Company and Buyer. In addition to any other remedy or remedies to which Buyer may be entitled in law or in equity, Buyer shall be entitled to preliminary and permanent injunctive relief for a violation of Section 2.1 without having to prove actual damages or to post a bond, and Buyer shall also be entitled to an equitable accounting of all earnings, profits and other benefits arising from such violation. Each Owner hereby waives any objections on the grounds of improper jurisdiction or venue to the commencement of an action in the State of Connecticut and agrees that effective service of process may be made upon him by mail under the provisions of Section 3(i).

*2.3 **Judicial Determination.*** If a court should hold that the restrictions set forth in Section 2.1 are unenforceable because they are unreasonable, then to the extent permitted by law, the court may prescribe the longest duration for the applicable restricted period and/or the largest radius or area for the restricted area that is reasonable and the parties agree to accept such determination subject to their rights of appeal. Nothing herein stated shall be construed as prohibiting Buyer from pursuing any other remedy or remedies available for such breach or threatened breach, including recovery of damages from a breaching Owner or injunctive relief.

*2.4 **Extension of Restricted Period.*** If an Owner is in violation of Section 2.1 at any time, then the applicable restricted period shall be extended for a period of time equal to the period during which said violation or violations occurred, solely with respect to such Owner. If Buyer seeks injunctive relief from said violation in court, then the running of the applicable restricted period with respect to that Owner shall be suspended during the pendency of said proceeding, including all appeals. This suspension shall cease upon the entry of a final judgment in the matter, not subject to further appeal.

3. Miscellaneous.

(a) This Agreement shall be governed by and construed in accordance with the domestic laws of the State of Connecticut, without giving effect to any choice or conflict of law provision or rule (whether of the State of Connecticut or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Connecticut.

(b) The invalidity or unenforceability of any particular provision of this Agreement shall not affect the other provisions hereof, and this Agreement shall be construed in all respects as if such invalid or unenforceable provisions were omitted.

(c) The covenants contained herein on the part of each Owner shall be construed as independent agreements and the existence of any claim or cause of action by any Owner shall not constitute a defense to the enforcement of such covenants by Buyer.

(d) This Agreement may be amended or modified only with the written consent of all of the parties hereto.

(e) This Agreement shall be binding on the parties and their respective successors and permitted assigns. No Owner shall assign this Agreement without the written consent of Buyer.

(f) No waiver of any term, provision, or condition of this Agreement, whether by conduct or otherwise, in any one or more instances, shall be deemed to be, or construed as, a further or continuing waiver of any such term, provision, or condition or as a waiver of any other term, provision or condition of this Agreement.

(g) The headings contained in this Agreement are solely for the purpose of reference, are not part of the agreement of the parties, and shall not in any way affect the meaning or interpretation of this Agreement.

(h) This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. In addition, the parties may execute a counterpart of this Agreement and transmit their signatures via facsimile or electronic transmission, and such signature received via facsimile or electronic transmission shall have the same force and effect as an original.

(i) Any notice, demand, or communication required, permitted, or desired to be given hereunder shall be deemed effectively given when personally delivered, when received by receipted overnight delivery, or five (5) days after being deposited in the United States mail, with postage prepaid thereon, certified or registered mail, return receipt requested, addressed as follows:

If to an Owner: c/o Merritt Healthcare Holdings, LLC
75 Danbury Road, #B5
Ridgefield, CT 06877

If to Buyer: SCA-Western Connecticut, LLC
c/o Surgical Care Affiliates, LLC
569 Brookwood Village, Suite 901
Birmingham, Alabama 35209
Attention: General Counsel

or to such other address, and to the attention of such other person or officer as any party may designate, with copies thereof to the respective counsel thereof as notified by such party.

SIGNATURE PAGE FOLLOWS

IN WITNESS WHEREOF, the parties have executed this Agreement effective as of date the first above written.

BUYER:

SCA-WESTERN CONNECTICUT, LLC

By: _____
Name: Richard L. Sharff, Jr.
Title: Vice President

OWNERS:

_____
Matthew Searles

_____
Richard Searles

_____
William F. Mulhall

Second Amended and Restated Operating Agreement Of Western Connecticut Orthopedic Surgical Center, LLC

THE MEMBERSHIP INTERESTS ISSUED UNDER THIS AGREEMENT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 ("**33 ACT**") OR UNDER THE CONNECTICUT UNIFORM SECURITIES ACT, AS AMENDED ("**STATE ACT**"), AND MAY BE OFFERED OR SOLD BY A PURCHASER OF THE MEMBERSHIP INTERESTS ONLY (1) UPON REGISTRATION OF THE MEMBERSHIP INTERESTS UNDER THE '33 ACT AND THE STATE ACT OR PURSUANT TO AN EXEMPTION THEREFROM, AND (2) AFTER COMPLIANCE WITH ALL RESTRICTIONS ON TRANSFER OF MEMBERSHIP INTERESTS IMPOSED BY THIS AGREEMENT.

SECOND AMENDED AND RESTATED OPERATING AGREEMENT OF WESTERN CONNECTICUT ORTHOPEDIC SURGICAL CENTER, LLC

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SECOND AMENDED AND RESTATED
OPERATING AGREEMENT
OF
WESTERN CONNECTICUT ORTHOPEDIC SURGICAL CENTER, LLC

This Second Amended and Restated Operating Agreement is made and entered into as of May 1, 2017, to be effective as of the Effective Date, by and among those persons who are or may become Members under the terms of this Agreement and each Interest Holder.

The parties hereto agree as follows:

This Agreement amends and restates in its entirety that certain Amended and Restated Operating Agreement of the Company dated June 28, 2013, as amended by that certain First Amendment to Amended and Restated Operating Agreement dated May 1, 2017.

I. DEFINITIONS

When used in this Agreement, the following terms shall have the meanings set forth below:

1.1 "**Act**" means the Connecticut Limited Liability Company Act, as amended from time to time.

1.2 "**Adjusted Capital Account**" means, with respect to any Member, such Member's Capital Account as of the end of the relevant Allocation Period, after giving effect to the following adjustments:

(a) Credit to such Capital Account those amounts, if any, that such Member is deemed obligated to restore pursuant to the penultimate sentences of Regulations Sections 1.704-2(g)(1) and 1.704-2(i)(5); and

(b) Debit to such Capital Account the items described in Regulations Sections 1.704-1(b)(2)(ii)(d)(4), 1.704-1(b)(2)(ii)(d)(5), and 1.704-1(b)(2)(ii)(d)(6).

The foregoing definition of Adjusted Capital Account Deficit is intended to comply with the provisions of Regulations Section 1.704-1(b)(2)(ii)(d) and shall be interpreted consistently therewith.

1.3 "**Adjusted Capital Account Deficit**" means, with respect to any Member, the deficit balance, if any, in such Member's Adjusted Capital Account.

1.4 "**Adverse Buy/Sell Event**" means each Buy/Sell Event listed in Sections 10.5(b).

1.5 "**Adverse Event Purchase Price**" means fifty percent (50%) of the Fair Market Value Transfer Price.

1.6 "**Affiliate**" of a specified Person or entity shall mean a Person or entity that directly or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the Person or entity specified; provided, however, that with respect to the SCA Member, the term "Affiliate" shall include only SCA and those entities in which SCA directly or indirectly holds a controlling ownership interest. As used in this definition, the term "control" shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such specified Person or entity, whether through ownership of voting securities, by contract or otherwise.

1.7 "**Agreement**" means this Second Amended and Restated Operating Agreement, as amended from time to time.

1.8 "**Allocation Period**" means, unless otherwise required pursuant to the Code and Regulations, the period commencing on the Effective Date and ending on the first December 31, (ii) any subsequent twelve (12) month period commencing on January 1 and ending on December 31, (iii) any portion of the period described in clauses (i) or (ii) for which the Company is required to allocate Profits, Losses and other items of Company income, gain, loss, deduction or other items pursuant to this Agreement, or (iv) any other period reasonably determined by the Board of Managers as appropriate for a closing of the Company's books.

1.9 "**Articles**" has the meaning set forth in Section 2.1 hereof.

1.10 "**Assignee**" means a transferee of Units or any successor to a Member by operation of law, who has not, in either case, been admitted as a substitute Member.

1.11 "**Assignee Purchase Notice**" has the meaning set forth in Section 10.10 hereof.

1.12 "**Assignee Units**" has the meaning set forth in Section 10.10 hereof.

1.13 "**Available Cash Flow**" means all cash funds of the Company on hand at the end of each calendar month less (a) provision for payment of all outstanding and unpaid current cash obligations of the Company at the end of such month (including those which are in dispute); (b) provision for reserves and working capital for reasonably anticipated cash expenses and contingencies (which may include debt service on Company indebtedness and fees payable to the SCA Member or its Affiliates) as determined by the Board of Managers in its sole discretion; provided, however, that in no event shall the total amount of reserves and working capital exceed $100,000 for purposes of calculating Available Cash Flow, unless otherwise approved by a Supermajority of the Board; (c) provisions for payment of any outstanding balance under the Overdraft Line of Credit; and (d) Sale Proceeds; provided, however, that proceeds described in subsection (d) are distributed separately under Section 8.11.

1.14 "**Benefit Plan Investor Ownership Limitation**" means Benefit Plan Investors own, in the aggregate, a twenty-five percent (25%) or greater interest in the Company without regard to any interest owned by the SCA Member and its Affiliates, or the ownership interest of any other Person who has discretionary control with respect to the assets of the Company or who provides investment advice to the Company for a fee.

1.15 "**Benefit Plan Investors**" shall have the meaning set forth in the ERISA Regulation set forth in 29 C.F.R. §2510.3-101(f)(2), as amended, or any successor regulation thereto.

1.16 "**Board**" or "**Board of Managers**" means the Managers, collectively, of the Company.

1.17 "**Buy/Sell Event**" has the meaning set forth in Section 10.5 hereof.

1.18 "**Buy/Sell Notice**" has the meaning set forth in Section 10.7 hereof.

1.19 "**Capital Account**" means, with respect to any Member, the capital account maintained by the Company for such Member in accordance with Section 6.8 of the Agreement.

1.20 "**Capital Call**" has the meaning set forth in Section 6.3 hereof.

1.21 "**Capital Contribution**" in respect of any Member or transferee of such Member means all property, tangible or intangible, contributed by such Member to the capital of the Company.

1.22 "**Center**" means the ambulatory surgery center located at 226 White Street, Danbury, Connecticut.

1.23 "**Closing**" has the meaning set forth in Section 10.11 hereof.

1.24 "**Closing Payment**" has the meaning set forth in Section 10.11(b) hereof.

1.25 "**Code**" means the Internal Revenue Code of 1986, as amended, or any corresponding provisions of succeeding law in effect at such time.

1.26 "**Company**" means the limited liability company formed pursuant to this Agreement.

1.27 "**Company Percentage**" means, in the case of any Member, a fraction, stated as a percentage, with a numerator equal to the number of Units held by such Member and a denominator equal to the number of Units held by all Members.

1.28 "**Company Return**" means the U.S. Return of Partnership Income of the Company.

1.29 "**Competing Facility**" has the meaning set forth in Section 15.1 hereof.

1.30 "**Confidential Business Information**" has the meaning set forth in Section 15.6 hereof.

1.31 "**Covered Person**" means each Interest Holder, and each Member other than the SCA Member and its Affiliates.

1.32 "**Disability**" means inability or other failure of a Physician Interest Holder, by reason of mental or physical illness, disease or injury, to perform his or her usual and customary professional duties with a standard of care that would be exercised by a reasonable professional with the same medical practice, including performing outpatient surgical procedures, for a minimum period of six (6) consecutive months or six (6) months cumulatively in any twelve (12) month period, as determined by a Physician mutually agreeable to the Board and the Member in question.

1.33 "**Economic Risk of Loss**" has the meaning assigned to that term in Regulation Section 1.752-2(a).

1.34 "**EBITDA**" (a) means earnings before interest, taxes, depreciation and amortization for the applicable period, calculated as follows: the Net Income of the Company, plus the following, each determined in accordance with GAAP, without duplication and to the extent deducted from Net Income: (i) interest expense, (ii) federal, state and local income tax expense, (iii) depreciation and (iv) amortization of intangible assets and other non-cash charges; and (b) shall be calculated without regard to (i) any extraordinary gain or loss or (ii) any non-recurring or non-operating items related to activities outside the ordinary course of business.

1.35 "**Effective Date**" shall mean the date on which the Phase II Closing occurs, as that term is defined in the Purchase Agreement.

1.36 "**Entity Member**" means a professional association, professional corporation, partnership, limited liability company, corporation, trust, benefit plan or other such entity, other than the SCA Member

or its Affiliates, that is a Member. All Interest Holders of an Entity Member must be Physicians who meet the Physician Interest Holder Eligibility Requirements.

1.37 "**ERISA**" means the Employee Retirement Income Security Act of 1974, as amended.

1.38 "**Estimated Purchase Price**" has the meaning set forth in Section 10.11(b) hereof.

1.39 "**Extension of Practice Requirements**" has the meaning set forth in Section 15.4(b).

1.40 "**Fair Market Value Transfer Price**" as of any date means the amount calculated according to the following formula: the product of EBITDA for the twelve (12) month period ending on the last day of the immediately preceding month as of such date multiplied by three (3), less any Interest Bearing Debt as of the last day of the immediately preceding month of such date.

1.41 "**Final Purchase Price**" has the meaning set forth in Section 10.11(b) hereof.

1.42 "**Fiscal Year**" means the period designated as such in Section 12.3 hereof.

1.43 "**Force majeure**" has the meaning set forth in Section 17.11 hereof.

1.44 "**GAAP**" means generally accepted accounting principles, as consistently applied by the Board of Managers.

1.45 "**Health Care Program Adverse Event**" means the suspension, debarment, exclusion or termination of a Physician Interest Holder from the Medicare or Medicaid programs or other federal or state health care programs, or the imposition of any civil monetary penalties or other punishment by a government program against a Physician Interest Holder.

1.46 "**Indemnified Member**" has the meaning set forth in Section 8.17 hereof.

1.47 "**Indemnifying Member**" has the meaning set forth in Section 8.17 hereof.

1.48 "**Interest Bearing Debt**" means the principal amount of any notes payable or other indebtedness of the Company, provided that such indebtedness is reflected on the balance sheet of the Company.

1.49 "**Interest Holder**" means a Person who (a) is a member, shareholder, partner or other owner (either directly or indirectly) of an Entity Member or (b) created, is a beneficiary or grantor of, or is the trustee of a trust that is a Member.

1.50 "**Interest Holder's Proportionate Units**" means the number of Units held by an Entity Member that is attributable to an Interest Holder based on such Interest Holder's (direct or indirect) ownership percentage interest in the Entity Member, which in the case of a Interest Holder described in (b) of Section 1.49 shall be deemed one hundred percent (100%) unless a lesser percentage is approved by the Board of Managers.

1.51 "**Manager**" means the Person or Persons so named as part of or elected to the Board of Managers pursuant to this Agreement.

1.52 "**Medical Executive Committee**" has the meaning set forth in Section 9.10 hereof.

1.53 "**Member**" means each Person designated as a Member of the Company on **Schedule A** hereto as of the Effective Date, including the SCA Member, or any other Person admitted as a Member of the Company in accordance with this Agreement or the Act. "**Members**" refers to such Persons as a group.

1.54 "**Member Nonrecourse Debt**" has the same meaning as the term "partner nonrecourse debt" set forth in Regulations Section 1.704-2(b)(4).

1.55 "**Member Nonrecourse Deductions**" has the same meaning as the term "partner nonrecourse deductions" set forth in Regulations Sections 1.704-2(i)(1) and 1.704-2(i)(2).

1.56 "**Net Book Value Purchase Price**" means fifty percent (50%) of the Tangible Net Book Value.

1.57 "**Net Income**" means net income (or loss), calculated in accordance with GAAP, which shall include a deduction of the annual management fees, and shall not include extraordinary and nonrecurring items (and corresponding tax consequences) and income or loss attributable to discontinued operations.

1.58 "**Non-Adverse Buy/Sell Event**" means any Buy/Sell Event that is not an Adverse Buy/Sell Event.

1.59 "**Non-Contributing Member**" has the meaning set forth in Section 6.3 hereof.

1.60 "**Note**" has the meaning set forth in Section 10.11(a).

1.61 "**Offset Amount**" has the meaning set forth in Section 8.17 hereof.

1.62 "**Outpatient Surgical Procedures**" has the meaning set forth in Section 15.4(b).

1.63 "**Overdraft Line of Credit**" has the meaning set forth in the Management Agreement.

1.64 "**Partnership Representative**" (i) for taxable years beginning on or prior to December 31, 2017, has the meaning of a "tax matters partner" set forth in Code Section 6231 and any comparable provisions of foreign, state and local income tax laws and (ii) for taxable years beginning after December 31, 2017, has the meaning of a "partnership representative" set forth in Section 6223(a) of the Code and any comparable provisions of foreign, state and local income tax laws.

1.65 "**Person**" means an individual, trust, estate, corporation, partnership, limited partnership, limited liability company, unincorporated association or other entity or association.

1.66 "**Physician**" means a Person defined as set forth in 42 U.S.C. §1395x(r) who is licensed to practice medicine in Connecticut.

1.67 "**Physician Interest Holder**" means (a) a Member who is a Physician or (b) an Interest Holder who is a Physician.

1.68 "**Physician Interest Holder Eligibility Requirements**" has the meaning set forth in Section 15.5(b).

1.69 "**Profits**" and "**Losses**" means, for each Allocation Period, an amount equal to the Company's taxable income or loss for such Allocation Period, determined in accordance with Code Section 703(a) (for this purpose, all items of income, gain, loss, or deduction required to be stated separately

pursuant to Code Section 703(a)(1) shall be included in taxable income or loss), with the following adjustments:

(a) Any income of the Company that is exempt from federal income tax and not otherwise taken into account in computing Profits or Losses pursuant to this Section 1.69 shall be added to such taxable income or loss;

(b) Any expenditures of the Company described in Code Section 705(a)(2)(B) or treated as Code Section 705(a)(2)(B) expenditures pursuant to Regulations Section 1.704-(1)(b)(2)(iv)(i), and not otherwise taken into account in computing Profits or Losses pursuant to this Section 1.69 shall be subtracted from such taxable income or loss;

(c) If the book value of property is adjusted pursuant to Regulations Sections 1.704-1(b)(2)(iv)(f) or (e), such adjustment shall be taken into account as gain or loss from the disposition of an asset and, in lieu of depreciation as calculated for federal income tax purposes, subsequently such deductions shall be computed in accordance with Regulations Sections 1.704-1(b)(2)(iv)(g)(3) or 1.704-3(d)(2), as the case may be. Subsequent calculations of gain or loss resulting from the disposition of an asset for federal income tax purposes shall be computed by reference to its book value as reflected in Members' Capital Accounts rather than its adjusted tax basis;

(d) To the extent an adjustment to the adjusted tax basis of any Company asset pursuant to Code Section 734(b) or 743(b) is required to be taken into account in determining Capital Accounts as a result of a distribution other than in complete liquidation of a Member's interest in accordance with Regulations Section 1.704-1(b)(2)(iv)(m)(4), the amount of such adjustment to the Capital Accounts shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases such basis) from the disposition of the asset and shall be taken into account for purposes of computing Profits and Losses; and

(e) Any items which are specially allocated pursuant to Section 8.3, Section 8.4, Section 8.5 and Section 8.6 hereof shall not be taken into account in computing Profits or Losses.

The amounts of items of Company income, gain, loss, and deduction available to be specifically allocated pursuant to Section 8.3, Section 8.4, Section 8.5 and Section 8.6 hereof shall be determined by applying rules analogous to those set forth in Subparagraphs (a) through (e) above.

1.70 "**Purchase Agreement**" means that certain Membership Interest Purchase Agreement by and among the SCA Member, the Company, certain of the Members, Merritt Healthcare Holdings, LLC, Merritt Healthcare Holdings Danbury, LLC, and SCA, dated effective as of May 1, 2017.

1.71 "**Purchase Notice**" has the meaning set forth in Section 10.8 hereof.

1.72 "**Regulations**" means the Income Tax Regulations promulgated under the Code, as such regulations may be amended from time to time (including corresponding provisions of succeeding regulations).

1.73 "**Regulatory Allocations**" has the meaning set forth in Section 8.6 hereof.

1.74 "**Repurchase Failure Notice**" has the meaning set forth in Section 10.12 hereof.

1.75 "**Repurchase Period**" has the meaning set forth in Section 10.12 hereof.

1.76 "**Responsible Party**" has the meaning set forth in Section 16.3 hereof.

1.77 "**Restricted Period**" means (a) in the case of a Member, the period commencing on the date he or she becomes a Member and ending on the second (2nd) annual anniversary of the date such Member is no longer a Member, and (b) in the case of an Interest Holder that is not directly a Member, means the period commencing on the date that he or she becomes an Interest Holder in an Entity Member and ending on the later of (i) the second (2nd) annual anniversary of the date such Interest Holder ceased to be an Interest Holder of the Entity Member, or (ii) the second annual anniversary of the date such Entity Member ceased to be a Member.

1.78 "**Retirement**" shall mean when a Physician Interest Holder ceases to practice medicine and publicly announces such retirement or, if he or she does not publicly announce such retirement, the Board of Managers shall have determined that such person no longer practices medicine or performs ambulatory surgical procedures on at least a substantially full-time basis (i.e., at least thirty-five (35) hours per week for at least forty (40) weeks per year).

1.79 "**Sale Proceeds**" means all proceeds of any sale, exchange, foreclosure, abandonment, financing or refinancing of capital assets of the Company, or from condemnation awards or casualty insurance claims, less applicable expenses and any debt paid or prepaid with the proceeds of or in connection with such transaction occurring upon the liquidation of the Company or sale of all or substantially all of the Company's assets outside the ordinary course of business.

1.80 "**SCA**" means Surgical Care Affiliates, LLC, a Delaware limited liability company and the indirect owner of the SCA Member, and its successors in interest.

1.81 "**SCA Member**" means SCA-Western Connecticut, LLC, a Delaware limited liability company, and any successor entity.

1.82 "**Supermajority of the Board**" means the affirmative vote of four (4) of the five (5) Members of the Board.

1.83 "**Supermajority of the Members**" means a vote requiring the approval of (i) the SCA Member and (ii) the Members holding at least fifty percent (50%) of the Units then held by all Members other than the SCA Member.

1.84 "**Tangible Net Book Value**" means the net assets of the Company, less current and long-term liabilities and less any intangible asset that appears on the Company's balance sheet, including, without limitation, goodwill, each determined in accordance with GAAP.

1.85 "**Tax Distribution**" has the meaning set forth in Section 8.10.

1.86 "**Tax Matters Partner**" means the party responsible for certain tax responsibilities for the Company as set forth in Section 9.8 hereof.

1.87 "**Transfer**" (and its derivations) means any involuntary or voluntary sale, lease, pledge, assignment, grant of a security interest, subcontract, dividend, merger, consolidation, gift or other disposition, direct or indirect, by operation of law or otherwise.

1.88 "**Two-Thirds Physician Vote**" has the meaning set forth in Section 7.3.

1.89 "**Unit**" means an interest as a Member in the capital and profit and losses of the Company. The Board of Managers, in its sole discretion, may increase the number of Units. Units may be offered and sold in fractional increments.

1.90 "**Withdrawing Member**" has the meaning set forth in Section 10.7.

1.91 "**Withdrawing Member's Units**" has the meaning set forth in Section 10.11 hereof.

II. ORGANIZATION

2.1 Formation. The Company was previously formed as a limited liability company under and pursuant to the Act, by filing articles of organization (the "**Articles**") with the Secretary of State of Connecticut. The parties desire to cause the Company to continue in effect in accordance with the terms of this Agreement. The Board of Managers shall cause any amendments to the Articles to be filed of record and in such places as required by the Act to protect the status of the Company as a limited liability company doing business in Connecticut and as otherwise required by law.

2.2 Name. The name of the Company is Western Connecticut Orthopedic Surgical Center, LLC. The business of the Company may be conducted under such other name as the Board of Managers may determine.

III. PRINCIPAL PLACE OF BUSINESS

3.1 Principal Place of Business. The principal place of business of the Company shall be located at the Center, or at such other place as the Board of Managers may from time to time designate.

3.2 Registered Office. The registered office of the Company shall be the address designated by the Board of Managers.

3.3 Registered Agent. The Registered Agent of the Company shall be CT Corporation.

IV. BUSINESS

The business to be conducted by the Company shall be to own and operate the Center, and to carry on any and all activities necessary, proper, convenient, or advisable in connection therewith.

V. TERM

The Company shall be perpetual, unless terminated earlier pursuant to Article XI of this Agreement.

VI. CAPITAL CONTRIBUTION AND CAPITAL ACCOUNTS OF MEMBERS

6.1 Capital Contribution of the SCA Member. The SCA Member, or its respective predecessors in interest, has previously made a Capital Contribution to the Company in exchange for its Units or has acquired its Units from another Member. The number of Units held by the SCA Member as of the Effective Date is set forth on **Schedule A**.

6.2 Capital Contributions of the Other Members. The Members other than the SCA Member, or their respective predecessors in interest, have previously made a Capital Contribution to the Company in exchange for Units or have acquired their Units from another Member. The number of Units held by each of the Members other than the SCA Member as of the Effective Date is set forth on **Schedule A**.

6.3 Additional Capital Contributions. In the event that the Board of Managers determines at any time (or from time to time) that additional funds are required by the Company for or in respect of its business or to pay any of its obligations, expenses, costs, liabilities or expenditures (including, without limitation, any operating deficits), then upon approval of a Supermajority of the Board, the Board may require the Members to contribute additional capital to the Company in proportion to their Company Percentage ("**Capital Call**"). If any Member fails to contribute his, her or its pro rata share of any Capital Call within ten (10) days of receipt of written notice from the Board of Managers (a "**Non-contributing Member**"), the SCA Member may, if it has made its additional contribution hereunder make the additional contribution that such Non-contributing Member has failed to make in exchange for Units. Under such circumstances, the Board of Managers shall adjust the Company Percentage and Unit ownership of the Members to the extent necessary in accordance with the following formula: Each Member's adjusted Units shall be determined by multiplying the total outstanding Units times each Member's adjusted Company Percentage. Each Member's adjusted Company Percentage shall be equal to the quotient of (a) the sum of (i) the fair market value of the Company, as determined by the Board of Managers in good faith immediately prior to the applicable Capital Contribution, multiplied by each Member's Company Percentage at the time of the additional Capital Contribution, plus (ii) the amount, if any, of such Member's additional Capital Contribution actually contributed, divided by (b) the total fair market value of the Company, as determined by the Board of Managers in good faith immediately after the applicable Capital Contribution. The formula set out in the paragraph is summarized below for illustration purposes.

> Total Outstanding Units x ((FMV Pre-contribution x each Member's Company Percentage) + each Member's Capital Contribution)/FMV Post-Contribution.

The Board of Managers is hereby authorized to amend **Schedule A** to reflect the number of Units held by each Member in accordance with the terms of this Section.

6.4 Limited Liability. A Member shall not be bound by, or personally liable for, the expenses, liabilities or obligations of the Company, except as provided in the Act or as otherwise provided by applicable law. Notwithstanding the foregoing, in the event that SCA or a third party commercial lender requires a Member to guarantee the Company's obligations under a loan as a condition of financing and the Member agrees to do so, the Member shall be liable under the guaranty according to its terms.

6.5 Role of Members. Except as otherwise provided in this Agreement, no Member shall take part in or interfere in any manner with the conduct or control of the business of the Company and shall have no right or authority to act for or bind the Company.

6.6 Withdrawal of Capital Contributions. No Member shall have the right to withdraw or reduce his, hers or its Capital Contribution without the prior written consent of the Board of Managers. No Member shall have the right to demand or receive property other than cash in return for his, her or its Capital Contribution, and no Member shall have priority over any other Member, either as to the return of Capital Contributions or as to profits, losses or distributions.

6.7 Assessments and No Negative Capital Account Make-up. Other than as set forth in Section 6.3 hereof, Members will not be subject to additional assessments for contributions to the capital of the Company. Notwithstanding any other provision in this Agreement or any inference from any provision in this Agreement, no Member shall have an obligation to the Company, to the other Members or to third parties to restore a negative Capital Account balance during the existence of the Company or upon the dissolution or termination of the Company.

6.8 Creation and Maintenance of Capital Account. The Company shall establish and maintain a Capital Account for each Member for the full term of the Company. The Capital Account shall be increased by such Member's Capital Contribution and allocations of Profits and items thereof to such Member and decreased by distributions and allocations of Losses and items thereof to such Member and otherwise maintained in accordance with the capital account maintenance rules of Regulations Section 1.704-1(b)(2)(iv). Upon occurrence of any of the events specified in Regulations Section 1.704-1(b)(2)(iv)(f)(5), the Company shall revalue all of its assets and adjust the Capital Accounts to reflect such revaluation unless the Board of Managers reasonably determines that such adjustments are not necessary or appropriate to reflect the relative economic interests of the Members in the Company; further, all of the rules of Regulations Section 1.704-1(b)(2)(iv)(f) shall be complied with upon any such revaluation and Capital Account adjustment. If the Board of Managers determines that it is prudent or necessary to modify the manner in which the Capital Accounts, or any debits or credits thereto, are computed in order to comply with such Regulations, the Board of Managers may require the Company to make such modification, provided that it is not likely to have a material effect on the amounts distributable to any Member upon the dissolution of the Company. The Company shall make appropriate modifications required by the Board of Managers in the event unanticipated events might otherwise cause this Agreement not to comply with Regulations Section 1.704-1(b).

6.9 Admission of Additional Members.

a. The Company may admit additional Members upon the approval of, and on terms determined by, a Supermajority of the Board. Each additional Member shall deliver to the Board of Managers (a) a written agreement by the additional Member to be bound by all the terms and conditions of this Agreement, as amended from time to time, and (b) pay any additional capital that such additional Member has agreed to contribute. All such issuances shall be structured such that the amount paid for the Units is not less than fair market value, payments are made in cash and such that the issuance of Units does not take into account the potential value or volume of referrals to the Center of the additional Member.

b. Until such time as the SCA Member's Company Percentage is reduced to fifty-one percent (51%), if the Company issues additional Units (in accordance with the terms of this Agreement) in connection with the admission of additional Members, such issuance of additional Units shall have a dilutive effect on all Members, pro rata, in accordance with their Company Percentages immediately prior to the admission of the new Member(s). If the issuance of additional Units would cause the SCA Member's Company Percentage to fall below fifty-one percent (51%), then such issuance shall only have a dilutive effect on the existing Physician Interest Holders, pro rata, in accordance with their Company Percentages immediately prior to the admission of the new Member(s), and the SCA Member shall have a pre-emptive right (on the same terms and conditions as the additional Member(s), including price) to purchase such number of additional Units as will maintain the SCA Member's Company Percentage at fifty-one percent (51%).

6.10 Issuance of Replacement Units. In the event that the Company purchases the Units of any Member, such Units shall not cease to exist but shall remain available for the Company to resell. During the period after such Units are purchased by the Company and until they are resold, such Units shall not be deemed to be outstanding under this Agreement for any purposes (i.e., voting, receipt of distributions, etc.).

6.11 Redemption of Units from the SCA Member. In the event the Company redeems Units from the SCA Member in connection with an offering of Units to other Persons, the redemption price shall be equal to the gross proceeds received by the Company from the sale of Units in the offering, and the Company shall be responsible for any commission and fees associated with brokers or other third parties engaged by the Company.

VII. EXPENSES OF THE COMPANY

7.1 Organizational and Offering Expenses. All expenses incurred in connection with the formation of the Company and obtaining the Company's capital shall be paid by the Company.

7.2 Fees Receivable By An Affiliate of the SCA Member. The Company may contract with others, including Affiliates of the SCA Member, to perform services; provided, however, that contracts with Members of Affiliates of Members shall require approval by a Supermajority of the Board. Any such arrangements with Affiliates will be on terms that the Board of Managers believes to be fair and reasonable to the Company and generally not materially less favorable than could reasonably be realized with unaffiliated persons. In addition, Affiliates of the SCA Member will receive from the Company on the terms and conditions hereinafter set forth certain fees, which shall be in addition to the interest of the SCA Member in the Profit and Loss and Available Cash Flow of the Company. As of the Effective Date of this Agreement, arrangements with Affiliates of the SCA Member include, but are not limited to a management agreement by and between SCA and the Company dated as of May 1, 2017 (the "**Management Agreement**"), pursuant to which SCA provides (i) management services and staffing for the Center in exchange for the consideration set forth therein, and (ii) certain cash management services to the Company. Each Member hereby approves, consents to, and ratifies all the foregoing arrangements.

7.3 Breach of Management Agreement. The Physician Interest Holders, upon vote of the Physician Interest Holders holding two-thirds (2/3) of the Units then held by Physician Interest Holders ("**Two-Thirds Physician Vote**") may provide SCA with notice of a breach of the Management Agreement, and SCA shall have ninety (90) days to cure such breach. In the event SCA does not cure the breach within ninety (90) days of receipt of notice or in the event there is a dispute as to whether a breach occurred, the Physician Interest Holders, upon Two-Thirds Physician Vote, or the Board of Managers may initiate mediation to determine whether a breach occurred and, if so, what the damages are. If a dispute remains following the mediation, the Physician Interest Holders, upon Two-Thirds Physician Vote, or the Board of Managers may seek arbitration to determine whether a breach occurred and, if so, what the damages are; provided, however, that the award shall be limited to damages and not termination of the Management Agreement. The mediation and arbitration shall occur in Bridgeport, Connecticut. The mediation and arbitration costs and all reasonable expenses related to the mediation and arbitration (including reasonable legal fees) shall be paid by the Company.

7.4 Other Arrangements with Affiliates. Subject to Section 9.5, the Company may enter into agreements with Members or Affiliates of any Member, including, without limitation, the Management Agreement and a medical director agreement, and may extend, renew, amend, or modify such agreements in any respect, provided such actions are commercially reasonable and generally on such terms not materially less favorable than could reasonably be obtained with an unaffiliated third person and approved by a Supermajority of the Board.

VIII. ALLOCATION OF INCOME AND LOSS; CASH DISTRIBUTIONS

8.1 Profits. After giving effect to the special allocations set forth in Sections 8.3 through and including 8.8 for each Fiscal Year or other Allocation Period, Profits for each Fiscal Year or other Allocation Period shall be allocated as follows:

a. First, to the Members in proportion to and to the extent of the amount equal to the remainder, if any, of (i) the cumulative Losses allocated to each such Member (or such Member's predecessor in interest) pursuant to Section 8.2(b) for all prior Fiscal Years or other Allocation Periods, over (ii) the cumulative Profits allocated to each such Member (or such Member's

predecessor in interest) pursuant to this Section 8.1(a) for all prior Fiscal Years or other Allocation Periods.

b. Second, in accordance with the Members' Company Percentages.

8.2 Losses. After giving effect to the special allocations set forth in Sections 8.3 through and including 8.8 for each Fiscal Year or other Allocation Period, Losses for each Fiscal Year or other Allocation Period shall be allocated as follows:

a. First, in accordance with the Members' Company Percentages.

b. Second, the Losses allocated pursuant to Section 8.2(a) shall not exceed the maximum amount of Losses that can be so allocated without causing any Member to have an Adjusted Capital Account Deficit at the end of any Fiscal Year or other Allocation Period. In the event that some but not all of the Members would have Adjusted Capital Account Deficits as a consequence of the allocation of Losses pursuant to Section 8.2(b), the limitation set forth in this Section 8.2(b) shall be applied on a Member by Member basis and those Losses not allocable to a Member as a result of such limitation shall be allocated to the other Members in accordance with the positive balances in such Members' Adjusted Capital Accounts so as to allocate the maximum permissible losses to each Member under Regulations Section 1.704-1(b)(2)(ii)(d). Notwithstanding the first sentence of this Section 8.2(b), if no Member has a positive balance in its Adjusted Capital Account, then allocations of Losses that create an Adjusted Capital Account Deficit shall be permitted and such allocations of Losses shall be made to the Members in amounts in proportion to their Company Percentages.

8.3 Compliance with Treasury Regulations. The provisions of this Article VIII are intended to comply with Regulations Sections 1.704-1(b), 1.704-2, 1.704-3 and any successor regulations, and shall be defined and interpreted consistently with this intention and the Company shall make such special allocations reasonably determined necessary by the Board of Managers for the allocations of income and loss to be respected for federal income tax purposes pursuant to Regulations Section 1.704-1(b) and 1.704-2. This Article VIII is specifically intended to comply with the "alternate test for economic effect" under Regulations Section 1.704-1(b)(2)(ii) and thus all of the requirements necessary to comply with such test, including a qualified income offset, are incorporated herein by reference. In addition, the provisions in Regulations Section 1.704-2 pertaining to minimum gain chargebacks and non-recourse deductions are incorporated herein by reference.

8.4 Nonrecourse Deductions. Nonrecourse Deductions (as such term is defined in Regulations Section 1.704-2(b)) shall be specially allocated to and among the Members in accordance with their Company Percentages.

8.5 Member Nonrecourse Deductions. Any Member Nonrecourse Deductions for any Allocation Period shall be specially allocated to the Member who bears the Economic Risk of Loss with respect to the Member Nonrecourse Debt to which such Member Nonrecourse Deductions are attributable in accordance with Regulations Section 1.704-2(i)(1). If more than one Member bears the Economic Risk of Loss with respect to Member Nonrecourse Debt, Member Nonrecourse Deductions attributable thereto shall be allocated between or among such Members in accordance with the ratios in which they share such Economic Risk of Loss.

8.6 Corrective Allocations. The allocations provided in Sections 8.3, 8.4 and 8.5 above (the "**Regulatory Allocations**") are intended to comply with certain requirements of the Regulations. It is the intent of the Members that, to the extent possible, all Regulatory Allocations may be offset either with other

Regulatory Allocations or with special allocations of other items of Company income, gain, loss, or deduction pursuant to this Section 8.6. Therefore, notwithstanding any other provision of this Article VIII (other than the Regulatory Allocations), the Board of Managers may make such offsetting special allocations of Company income, gain, loss, or deduction in whatever manner it determines appropriate so that, after such offsetting allocations are made, each Member's Capital Account balance is, to the extent possible, equal to the Capital Account balance such Member would have had if the Regulatory Allocations were not part of the Agreement and all Company items were allocated pursuant to Sections 8.1, 8.2, 8.7, and 8.8, or as otherwise necessary to eliminate the economic distortions created by such Regulatory Allocations. In exercising its discretion under this Section 8.6, the Board of Managers shall take into account future Regulatory Allocations under the minimum gain chargeback and partner minimum gain chargeback incorporated into this Agreement by Section 8.3 that, although not yet made, are likely to offset other Regulatory Allocations previously made under Section 8.4 and under the allocation of partner nonrecourse debt incorporated herein by Section 8.3.

8.7 Allocations in Event of Recharacterization or Imputed Interest Transactions. In the event that any otherwise deductible payment made by the Company to a Member or an Affiliate of a Member is recharacterized as a distribution from the Company, then the Member which is deemed to have received the distribution shall be allocated items of Company income or gain for such Fiscal Year or other Allocation Period (and, if necessary for subsequent Fiscal Years) in an amount equal to the distribution. In addition, if, pursuant to the Code or Regulations, a Member recognizes imputed interest income as a result of a transaction between such Member and the Company, such Member shall be allocated any related Company deduction for such imputed interest.

8.8 Allocations Upon Liquidation. After giving effect to any allocations required by Sections 8.3, 8.4, 8.5, 8.6, and 8.7 upon the liquidation of the Company (and in any Fiscal Year prior to the year in which the Company liquidates if the Board of Managers reasonably determines it necessary or appropriate to do so in order to achieve the objectives set forth in this Section 8.8), all items of income, gain, loss, and deduction shall be allocated among the Members to cause the ending Capital Account balance of each Member to equal, as near as reasonably practicable, an amount equal to the distribution that is anticipated to be distributed to each such Member under Sections 8.10 and 8.11, assuming for purposes of this Section 8.8 that all such distributions pursuant to Sections 8.10 and 8.11 were made pro rata among the Members in accordance with their respective Company Percentages. If the items of Company income, gain, loss and deduction for the Fiscal Year in which the liquidation occurs are not sufficient to cause the ending Capital Account balance of each Member to equal such amount, the Company shall, to the extent permitted by Law, amend its income tax returns (including IRS Form 1065, "U.S. Return of Partnership Income") so as to cause the ending Capital Account of each Member to equal such amount. Such allocations shall be made among the Members according to the following ratio: (i) the difference between each Member's Capital Account and the amount of the anticipated distribution under Sections 8.10 and 8.11 (assuming such distribution pursuant to Sections 8.10 and 8.11 was pro rata among the Members in accordance with their respective Company Percentages) over (ii) the sum of such differences for all Members. Thereafter, all remaining items of income, gain, loss and deduction shall be allocated among the Members in accordance with their Company Percentages.

8.9 Tax Allocations: Code Section 704(c). Income, gain, loss and deduction as computed for income tax purposes with respect to Company property subject to Code Section 704(c) shall be allocated in accordance with said Code Section and/or Regulations Section 1.704-1(b)(4)(i), as the case may be, using any reasonable method specified in Regulations Section 1.704-3(b). Allocations pursuant to this Section 8.9 are solely for purposes of federal, state and local taxes and shall not affect, or in any way be taken into account in computing, any person's Capital Account or share of Profits and Losses, other items, or distributions pursuant to any provision of this Agreement.

8.10 Distributions of Available Cash Flow. Subject to Article VII, the Company shall distribute the Available Cash Flow to the Members pro rata in accordance with their respective Company Percentages. Such distributions shall be made in monthly installments on or before the fifteenth (15th) day of each month, with the first distribution being made on or before June 15, 2017, or at such other time or times as the Board of Managers shall deem practicable. Notwithstanding the foregoing, at a minimum the Company shall attempt to distribute to each of the Members, at least fifteen (15) days prior to the date on which a Physician Interest Holder is required to pay estimated federal income tax, an amount necessary for the Members to pay their estimated federal and state income tax obligations related to Company income (such amount, a "**Tax Distribution**"); provided, however, that all Tax Distributions shall be pro rata among the Members in accordance with their respective Company Percentages. If a distribution is in connection with the liquidation of the Company, such distribution shall be made in accordance with the penultimate sentence of Section 11.2. At the reasonable request of any Member, the Center's administrator shall provide such Member with an accounting of the Company's collection and payment activities.

8.11 Distributions of Sale Proceeds. Subject to the penultimate sentence in Section 11.2, the Company shall distribute any Sale Proceeds less provision for reserves and working capital for reasonably anticipated cash expenses and contingencies (which may include debt service on Company indebtedness and fees payable to SCA, the SCA Member or any of their Affiliates) as determined by the Board of Managers in its reasonable discretion. Such distribution shall be made in accordance with each Member's Company Percentage. Such distribution shall be made as soon after the receipt by the Company of Sale Proceeds as the Board of Managers deems practicable. Notwithstanding anything to the contrary above, in the event that the Company sells its assets for a combination of cash and notes, the Members, including the SCA Member, shall be entitled to (a) their proportionate share of the remaining cash required to be distributed under this Section, and (b) an undivided interest in each note received by the Company and shall be paid their proportionate share of principal and interest on such notes as the purchaser pays such amounts. If a distribution of Sale Proceeds is in connection with the liquidation of the Company, such distribution shall be made in accordance with the penultimate sentence of Section 11.2.

8.12 Consequences of Distributions. Upon the determination to distribute funds in any manner expressly provided in this Article VIII, made in good faith, the Board of Managers shall not incur any liability on account of such distribution, even though such distribution may have resulted in the Company retaining insufficient funds for the operation of its business which insufficiency resulted in loss to the Company or necessitated the borrowing of funds by the Company.

8.13 Tax Credits. Tax credits for any Fiscal Year or other Allocation Period shall be allocated among the Members in accordance with the Members' Company Percentages. Such allocations shall not be taken into account in computing any Member's Capital Account balance.

8.14 Member Admission Date. A purchaser of Units shall become a Member (a) with respect to Units sold by the Company on the date that both (i) his, her or its Capital Contribution is received by the Company, and (ii) the Board of Managers accepts such purchaser's subscription by signing the appropriate signature line of such purchaser's subscription agreement or (b) with respect to substitute Members purchasing Units in accordance with Article X hereof, on the date that the Board of Managers consents in writing to such Transfer of Units.

8.15 Allocation of Profits, Losses and Distribution In Respect of Units Transferred. If one or more Units are transferred or issued during any Fiscal Year of the Company, items of income, gain, loss, deduction and credit attributable to such Unit(s) for such Fiscal Year shall be divided and allocated between the transferor and the transferee based on the time each such party was, according to the books and records of the Company, the owner of record of the Unit(s) transferred during the year in which the transfer or issuance occurs. For this purpose, the transferor shall be deemed not to be a Member as of the date the

transfer actually occurs, and the transferee shall, for these purposes, be deemed to be a Member as of the like day. Distributions of Available Cash Flow in respect of Units shall be divided between the transferor and the transferee for the quarter in which such transfer occurs based on the time during such quarter each such party was, according to the books and records of the Company, the owner of record of the Unit(s) transferred during the period in which the transfer occurs. All other distributions by the Company shall be distributed to the Persons holding Units on the date of the distribution. As in the case of allocations, the transferor shall be deemed not to be a Member as of the date that the transfer actually occurs, and the transferee shall, for these purposes, be deemed to be Member as of the like day. The Managers and the Company shall incur no liability for making distributions in accordance with the provisions of the preceding sentence whether or not the Managers or the Company have knowledge or notice of any transfer of ownership of any Unit(s).

8.16 Tax Obligations Pursuant to the Purchase Agreement. The Members acknowledge the Purchase Agreement imposes on the Members and the Company certain obligations with respect to the preparation and filings of tax returns and the payment of taxes, including, without limitation, (i) an obligation to make a timely election under Section 754, (ii) an obligation to use the interim closing method and the calendar day convention specified in Regulations Section 1.706-4 with respect to the "Phase I Closing Date" and "Phase II Closing Date" (as such terms are defined in the Purchase Agreement), and (iii) an obligation regarding the allocation of items income, gain, loss, deduction and credit of the Company with respect to taxable periods or portions thereof ending on or before the Phase I Closing Date, and the taxable period or portion thereof beginning immediately after the Phase I Closing Date and ending on and including the Phase II Closing Date. Notwithstanding any other provision of this Agreement, the Members hereby agree the Company shall to take all actions required to be taken by it pursuant to the terms of the Purchase Agreement, and this Agreement shall interpreted in a manner consistent therewith.

8.17 Offsets to Distributions. Notwithstanding any other provisions of this Agreement, each Member hereby acknowledges and agrees that (i) the Company may, upon the written request of an Indemnified Member (as defined below) after following the procedures contained in the Purchase Agreement regarding offsets, offset against a Member's future distributions of profits from the Company an amount necessary to satisfy any unpaid indemnification obligations of such Member (the "**Indemnifying Member**") to any other Member (the "**Indemnified Member**") under the Purchase Agreement, and pay the amount so offset (the "**Offset Amount**") to the Indemnified Member, and (ii) any Offset Amount paid to the Indemnified Member shall be applied against the amount of any Losses (as defined in the Purchase Agreement) payable by such Indemnifying Member to such Indemnified Member under Article XII of the Purchase Agreement and shall reduce, on a dollar-for-dollar basis, the remaining amount of any Losses payable by such Indemnifying Member to such Indemnified Member under Article XII of the Purchase Agreement. Upon receipt of a request for indemnification under Article XII of the Purchase Agreement, the Company will retain a portion of the Indemnifying Member's future distributions otherwise owed to the Indemnifying Member, until such time as the claim for indemnification is fully and finally resolved.

IX. RIGHTS, POWERS AND OBLIGATIONS OF THE BOARD OF MANAGERS

9.1 Establishment of Board of Managers. The Company shall be "manager-managed" as defined in the Act and the business and affairs of the Company shall be managed by the Board of Managers. The number of Managers on the Board of Managers shall be five (5). Three (3) Managers shall be appointed by the SCA Member and two (2) Managers shall be appointed by the Members other than the SCA Member holding an aggregate Company Percentage that is in excess of fifty percent (50%) of the aggregate Company Percentage held by all Members other than the SCA Member. A Manager is not required to be a resident of any particular state. Unless authorized to do so by this Agreement or the Board of Managers, no attorney-in-fact, employee or other agent of the Company shall have any power or authority to bind the Company in any way, to pledge its credit or to render it liable for any purpose. The Managers shall only act collectively

as the Board of Managers and no individual Manager shall have the right or authority to act independently on behalf of the Company unless prior approval or authorization has been given by the Board of Managers. The initial Managers shall be as follows:

SCA Managers	Physician Managers
Thomas Chadwick	Michael Brand, M.D.
Brian Nicholls	Joseph DiGiovanni, M.D.
Dan Sweatman	

9.2 Powers. Except for situations in which the approval of the Members is expressly required by this Agreement or by non-waiveable provisions of applicable law, the management and control of the Company and its business and affairs shall rest exclusively with the Board of Managers, which shall have all the rights and powers which may be possessed by a "manager" pursuant to the Act, and such additional rights and powers as are otherwise conferred by law or are necessary, advisable or convenient to the discharge of its duties under this Agreement. Without limiting the generality of the foregoing, the Board of Managers may, subject to Section 9.5, at the cost, expense and risk of the Company:

a. Spend the capital and Net Income of the Company in the exercise of any rights or powers possessed by the Board of Managers hereunder;

b. Prepare and approve ordinary and capital budgets of the Company for each Fiscal Year;

c. Operate the Center, acquire leasehold improvements at the Center, and enter into agreements containing such terms, provisions and conditions as the Board of Managers in its discretion shall approve provided, however that any agreements with any Member or an Affiliate of a Member shall require the approval of Supermajority of the Board;

d. Purchase from or through others contracts of liability, casualty and other insurance which the Board of Managers deems advisable for the protection of the Company or for any purpose convenient or beneficial to the Company;

e. Incur indebtedness for a Company purpose in accordance with an approved budget;

f. Sell or otherwise dispose of, upon such terms and conditions as the Board of Managers may deem advisable, appropriate or convenient, any of the assets of the Company in the ordinary course;

g. Invest in short-term debt obligations (including obligations of federal and state governments and their agencies, commercial paper and certificates of deposit of commercial banks, savings banks or savings and loan associations) and "money market" mutual funds, such funds as are temporarily not required for the purposes of the Company's operations;

h. Delegate all or any of its duties hereunder and, in furtherance of any such delegation, appoint, employ or contract with any Person (including Affiliates of the SCA Member) for the transaction of the business of the Company, which persons may, under the supervision of the Board of Managers, act as consultants, accountants, attorneys, brokers, escrow agents or in any other capacity deemed by the Board of Managers necessary or desirable, and pay appropriate fees consistent with fair market value for such services to any of such persons;

i. Amend this Agreement or any other document or record of the Company from time to time to reflect the withdrawal or admission of Members and any changes in the number of or types of Units or any changes in Company Percentage held by any Member arising from the increase in the number of Units, admission of new Members, transfer of any Units to or by such Member, any conversion of Company debt to Units and any changes in the amounts contributed or agreed to be contributed by a Member; and

j. Make a decision to hire or terminate the administrator or business office manager of the Center; provided, however, that any such decision shall be made in consultation with all of the Managers.

9.3 Independent Activities. A Manager may, notwithstanding the existence of this Agreement, engage in whatever activities such Manager chooses, whether or not the same may be competitive with the Company, without having or incurring any obligation to offer any interest in such activities to the Company or any party hereto, and, as a material part of the consideration for the Manager's execution hereof and for the admission of such Member, each Member hereby waives, relinquishes and renounces any such right or claim of participation.

9.4 Duties. Each Manager shall manage and control the Company and its business and affairs to the best of such Manager's ability and shall use commercially reasonable efforts to carry out the business of the Company in accordance with applicable laws and regulations. Each Manager shall devote himself or herself to the business of the Company to the extent that he or she, in his or her discretion, deems necessary for the efficient carrying on thereof. Each Manager shall act as a fiduciary with respect to the safekeeping and use of the funds and assets of the Company.

9.5 Certain Limitations.

a. The Board of Managers shall not do or authorize any act which the manager of a limited liability company is prohibited from doing under Connecticut law.

b. Notwithstanding the rights provided in Section 9.2 above, the Board of Managers shall not, without obtaining the approval of a Supermajority of the Board, take any of the following actions:

(i) Make capital purchases in excess of One Hundred Thousand Dollars ($100,000) outside of the Company's budget and outside of the ordinary course of business;

(ii) Admit new Members of the Company as set forth in Section 6.9;

(iii) Offer or sell additional Units or increase the number of the Company's Units;

(iv) Approve the Transfer of Units, except for certain Transfers by the SCA Member, as contemplated by Section 10.16;

(v) Enter into, renew, amend or terminate any arrangement or agreement between the Company and any Member or Affiliate of any Member or change fees payable thereunder;

(vi) Require any Member to make any additional Capital Contributions;

(vii) Relocate the Center or terminate the Center's lease at any time other than the end of a lease term, provided that any decision not to renew the Center's lease upon the expiration of a term of the lease shall not require the approval of a Supermajority of the Board;

(viii) Waive any Member obligations or approve the withdrawal of a Member from the Company;

(ix) Make or file any election or take any other action that would result in the Company being classified as an association taxable as a corporation for federal income tax purposes;

(x) Issue any Units in the Company in exchange for services rendered or to be rendered to or on behalf of the Company, or in exchange for a contribution of property other than cash;

(xi) Determine or establish the fair market value of the Company's assets upon the occurrence of any of the events specified in Regulations Section 1.704-1(b)(2)(iv)(f)(5);

(xii) Subject to the rights of the Physician Interest Holders in Section 9.5(d), modify the anesthesia coverage or anesthesiology services at the Center or select the anesthesia provider for the Center; provided, however, that the Board will take recommendations from the Medical Executive Committee regarding the hiring and terminating of anesthesia providers and making decisions regarding anesthesia policies;

(xiii) With respect to staff privileges of the Center, approve the credentialing requirements of the Center, close the staff privileges of the Center, approve all medical staff bylaws, manuals, policies and procedures and approve all medical staff terminations and privileges;

(xiv) Determine whether there has been an occurrence of a Buy/Sell Event under Sections 10.5(a)(i), (a)(iii) and (b)(v), and Section 10.6; provided that with respect to determining whether a Buy/Sell Event has occurred with respect to the SCA Member under Section 10.6, only the approval of the two (2) Managers appointed by the Members other than the SCA Member shall be required;

(xv) Assign the Company's right to purchase a Withdrawing Member's or Interest Holder's Units to the SCA Member in accordance with Article X;

(xvi) Hire or terminate the director of nursing of the Center;

(xvii) Approve a total amount of reserves and working capital in excess of $100,000.00, as contemplated by Section 1.13;

(xviii) Make a decision to draw on the Overdraft Line of Credit, as contemplated by the Management Agreement; and

(xix) Make any of the decisions under Sections 11.1(a), (d), and (f), and 14.1(b).

c. Notwithstanding the rights provided in Section 9.2 above, the Board of Managers shall not, without obtaining the approval of a Supermajority of the Members, take any of the following actions:

(i) Substantially change the nature of the Company's business;

(ii) Amend this Agreement, unless otherwise permitted pursuant to Article XIV;

(iii) Liquidate or dissolve the Company as long as the Company is still operating the Center;

(iv) Merge or consolidate the Company into another entity;

(v) Sell or transfer all or substantially all of the Company's assets, provided that the Board of Managers may grant a security interest in the Company's assets in connection with properly approved loan; and

(vi) Elect the medical director of the Center.

d. As of the Effective Date of this Agreement, anesthesia services are currently provided to patients of the Center pursuant to an Anesthesia Services Agreement dated August 1, 2014, between the Company and Western Connecticut Medical Group, Inc. (the "**Current Anesthesia Agreement**"). Notwithstanding the rights provided in Section 9.2 above, the Physician Interest Holders may, without obtaining approval of a Supermajority of the Board or the SCA Member, cause the Company to terminate the Current Anesthesia Agreement (in a manner permitted by the terms of the Current Anesthesia Agreement) and enter into a new agreement for anesthesia services with a qualified, third party provider of such services. Any such change, in the reasonable judgement of the Physician Interest Holders and made in good faith, must not be economically or clinically disadvantageous to the Company. Any subsequent change in anesthesia services provided at the Center shall require approval of a Supermajority of the Board. Furthermore, and notwithstanding the foregoing right granted to the Physician Interest Holders, if, at any time, the Company wishes to (i) contract with a party that is related to a Member or Members to provide anesthesia services at the Center, or (ii) employ anesthesia providers directly to provide anesthesia services at the Center, such decision shall require approval of a Supermajority of the Board, regardless of whether it is the first change made to the Current Anesthesia Agreement.

9.6 Board of Manager Meetings.

a. Place; Waiver of Notice. Meetings of the Board of Managers may be held at such place or places as shall be determined from time to time by resolution of the Board of Managers. At all meetings of the Board of Managers, business shall be transacted in such order as shall from time to time be determined by resolution of the Board of Managers. Attendance of a Manager at a meeting of the Board of Managers shall constitute a waiver of notice of such meeting, except where a Manager attends a meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

b. Notice of Meetings. Regular meetings of the Board of Managers shall be held at such times and at such places as shall be designated from time to time by resolution of the Board of Managers. Notice of such meeting shall not be required so long as members of the Board of Managers receive copies of each resolution pursuant to which the time and place of such meetings

are set. Special meetings of the Board of Managers may be called on at least forty-eight (48) hours' Notice to each Manager by any other Manager. Such Notice need not state the purpose or purposes of, nor the business to be transacted at, such meeting, except as may otherwise be required by law or provided for in this Agreement.

c. Voting. Each Manager shall be entitled to one (1) vote. Any action authorized by this Agreement may be taken at a meeting at which a majority of the Managers are present. The affirmative vote of a majority of the Board of Managers entitled to vote on the matter and present at a properly called meeting shall constitute the act of the Board of Managers, unless a greater vote is required under this Agreement, by the Articles or the law.

d. Action by Written Consent or Telephone Conference. Any action permitted or required by the Act, the Articles or this Agreement to be taken at a meeting of the Board of Managers may be taken without a meeting if a consent in writing, setting forth the action to be taken, is signed by the number of the Managers required to approve such action under the Act, the Articles or this Agreement. Notice of any such consent shall be given to all Managers. Such consent shall have the same force and effect as a vote at a meeting and may be stated as such in any document or instrument filed with any public official, public office or other state authority, and the execution of such consent shall constitute attendance or presence in person at a meeting of the Board of Managers. Subject to the requirements of this Agreement for notice of meetings, the Managers may participate in and hold a meeting of the Board of Managers by means of a conference telephone or similar communications equipment by means of which all Persons participating in the meeting can hear each other, and participation in such meeting shall constitute attendance and presence in person at such meeting, except where a Person participates in the meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting was not lawfully called or convened.

e. Open Meetings. Unless the Board elects to go into executive session in its reasonable discretion, all Members shall receive notice of any meetings of the Board of Managers in accordance with this Section 9.6 and shall be permitted but not required to attend and observe, but not to vote at, such meetings of the Board of Managers.

9.7 Resignation, Removal and Replacement of a Manager. A Manager may at any time resign as a Manager of the Company by providing written notice to the other Managers. Any Manager appointed by the SCA Member may be removed by the SCA Member in its sole discretion, and any Manager appointed by the other Members pursuant to Section 9.1 may be removed by the Members other than the SCA Member holding an aggregate Company Percentage that is in excess of fifty percent (50%) of the aggregate Company Percentage held by all Members other than the SCA Member. In the event of such resignation or removal, (i) if the Manager was appointed by the SCA Member pursuant to Section 9.1, the SCA Member shall designate and appoint a replacement Manager as soon as reasonably practicable after such resignation or removal, or (ii) if the Manager was appointed by the Members other than the SCA Member pursuant to Section 9.1, a replacement Manager shall be appointed as soon as reasonably practicable after such resignation by the Members other than the SCA Member holding an aggregate Company Percentage that is in excess of fifty percent (50%) of the aggregate Company Percentage held by all Members other than the SCA Member.

9.8 Tax Matters Partner and Partnership Representative.

a. The SCA Member shall serve as the Tax Matters Partner and shall have the following duties, along with any other duties required by the Code, to the extent and in the manner provided by the Code:

(i) Furnish the name, address, profits interest and taxpayer identification number of each Member to the IRS;

(ii) Promptly inform each Member in writing of the administrative and judicial proceedings for the adjustment of any item required to be taken into account by a Member for income tax purposes; and

(iii) Within fifteen (15) days of receiving a notice of a Company audit or other correspondence from the IRS, forward a copy of such notice or correspondence to the Members, and promptly upon submitting any notice or correspondence to the IRS, deliver a copy of such notice or correspondence to the Members.

b. The Tax Matters Partner is hereby authorized, but not required, to:

(i) Enter into any settlement with the IRS with respect to any tax audit or judicial review, in which agreement the Tax Matters Partner may expressly state that such agreement shall bind the other Members, except that such settlement agreement shall not bind any Member who (within the time prescribed pursuant to the Code and regulations thereunder) files a statement with the IRS providing that the Tax Matters Partner shall not have the authority to enter into a settlement agreement on the behalf of such Member;

(ii) If a final administrative adjustment of a Company item required to be taken into account by a Member for tax purposes is mailed to the Tax Matters Partner, seek judicial review of such final adjustment, including the filing of a petition for readjustment with the Tax Court, the District Court of the United States for the district in which the Company's principal place of business is located, or the United States Claims Court;

(iii) Intervene in any action brought by any other Member for judicial review of a final adjustment;

(iv) File a request for an administrative adjustment with the IRS at any time and, if any part of such request is not allowed by the IRS, file a petition for judicial review with respect to such request;

(v) Enter into an agreement with the IRS to extend the period for assessing any tax which is attributable to any item required to be taken into account by a Member for tax purposes, or an item affected by such item; and

(vi) File a petition as contemplated in Sections 6226(a) and/or 6228 of the Internal Revenue Code.

c. The Partnership Representative shall be the SCA Member or such Member as shall be appointed by the Board of Managers, as determined from time to time. The Partnership Representative shall be required to obtain the prior approval of Supermajority of the Board of Managers with respect to all material matters involved in any Tax audit, examination or investigation.

(i) The Partnership Representative shall have the full authority to take any and all actions approved by Supermajority approval of the Board of Managers, to the extent such actions are permitted to be taken by the Partnership Representative under the Code, (i) in connection with any audit, examination or investigation of the Company or any

Company income tax return, and (ii) in connection with any and all administrative and judicial proceedings arising out of such audit, examination or investigation. The Partnership Representative shall keep the Board of Managers and the other Members informed of all administrative and judicial proceedings involving the Company or any Company return, and shall furnish promptly to each member of the Board of Managers, and to each Member if requested in writing, a copy of each notice or other communication received by the Partnership Representative from the Internal Revenue Service not otherwise sent directly to the other Member(s).

(ii) The Partnership Representative shall employ experienced tax advisors to represent the Company in connection with any audit or investigation of the Company by the Internal Revenue Service and in connection with all subsequent administrative and judicial proceedings arising out of such audit. The fees and expenses of such tax advisors shall be a Company expense and shall be paid by the Company. It shall be the responsibility of the Members (including any Member serving as Partnership Representative), at their own expense, to employ tax advisors to represent their respective separate interests.

(iii) The Members agree that, unless otherwise directed by Supermajority of the Board of Managers, the Company shall elect out of the application of Section 6221(a) of the Code (as amended by the Budget Act) for its first fiscal year beginning after December 31, 2017, and for each fiscal year thereafter, if possible. If such election out is impossible, the Members further agree that, unless otherwise directed by Supermajority of the Board of Managers, the Company will elect the application of Section 6226 of the Code (as amended by the Budget Act) for its first fiscal year beginning after December 31, 2017, in the event that it receives a "notice of final partnership adjustment" that would otherwise permit the Internal Revenue Service to collect from the Company a deficiency of tax, for each relevant year. The Members covenant to take into account and report to the Internal Revenue Service any adjustment to their items for the reviewed year as notified to them by the Company in a statement furnished to them pursuant to Section 6226(a) of the Code (as amended by the Budget Act), in the manner provided in Section 6226(b) of the Code (as amended by the Budget Act), whether or not Members own any Units in the year of the Company's statement. Any Member which fails to report its share of such adjustments on its tax return for its taxable year including the date of the Company's statement as described immediately above shall indemnify and hold harmless the Company against any tax, interest and penalties collected by the Internal Revenue Service from the Company as a result of the Member's failure.

d. The Company shall indemnify and reimburse the Tax Matters Partner and Partnership Representative for all expenses, including legal and accounting fees, claims, liabilities, losses and damages incurred in connection with any administrative or judicial proceeding with respect to the tax liability of the Members and against any and all loss, liability, cost or expense, including judgments, fines, amounts paid in settlement and attorneys' fees and expenses, incurred by the Tax Matters Partner or Partnership Representative in any civil, criminal or investigative proceeding in which the Tax Matters Partner or Partnership Representative is involved or threatened to be involved solely by virtue of being Tax Matters Partner or Partnership Representative, except such loss, liability, cost or expense arising by virtue of the Tax Matters Partner's or Partnership Representative's fraud, gross negligence, malfeasance, breach of fiduciary duty or intentional misconduct.

9.9 Officers.

a. Number. The Company may have officers with such duties and responsibilities as the Board of Managers may determine from time to time. Any such officer serves as the pleasure of the Board of Managers. Any two (2) or more offices may be held by the same person. The officers need not be Members or residents of the State of Connecticut. As of the Effective Date, the initial officers shall be as follows:

President – Richard L. Sharff, Jr.

Vice President – Michael Brand, M.D.

b. Term of Office. Each officer shall hold office until the earlier of his or her death, removal or resignation.

c. Removal and Resignation. An officer serves at the pleasure of the Board of Managers and the Board of Managers may remove an officer at any time with or without cause. The Board of Managers may also eliminate any officer position at any time. The removal of an officer is without prejudice to the contractual rights of the officer, if any. Any officer may resign at any time and for any reason. In the event of a vacancy in any office because of death, resignation or removal, the Board of Managers shall elect a successor to such office.

d. Delegation. An officer may delegate some or all of the duties and powers of his office to other persons. An officer who delegates the duties or powers of an office remains subject to the standard of conduct for an officer with respect to the discharge of all duties and powers so delegated.

e. Standard of Conduct. An officer shall discharge the duties of an office in good faith, in a manner the officer reasonably believes to be in the best interests of the Company and with the care an ordinarily prudent person in a like position would exercise under similar circumstances. In discharging his or her duties, an officer is entitled to rely on information, opinions, reports or statements, including financial statements and other financial data, if prepared or presented by one or more officers or employees of the Company whom the officer reasonably believes to be reliable and competent in the matters presented or legal counsel, public accountants or other persons as to matters the officer reasonably believes are within the person's professional or expert competence. An officer is not acting in good faith if he or she has actual knowledge concerning the matter in question that makes reliance otherwise permitted unwarranted. An officer is not liable for action taken as an officer, or any failure to take any action if he or she performed the duties of his or her office in compliance with this subsection. A person exercising the principal functions of an office or to whom some or all of the duties and powers of an office are delegated is considered an officer for purposes of this section.

9.10 Medical Executive Committee. The Company shall also have a medical executive committee (the "**Medical Executive Committee**") comprised of one or more Physician Interest Holders who are members of the Center's medical staff and selected by a majority vote of the Physician Interest Holders who are members of the Center's medical staff. The exact number of individuals serving on the Medical Executive Committee shall be determined by the Board of Managers from time to time. The Medical Executive Committee shall be responsible for the general supervision of the Center's medical staff and making recommendations to the Center's governing body regarding patient care as described in the Center's medical staff bylaws as amended from time to time.

9.11 Twenty-Three (23) Hour Stay Facility. The Members hereby agree that, provided that use of the Center as a twenty-three (23) hour stay facility is permitted by all applicable laws and regulations

and provided that the Board of Managers determines in good faith that such use would be financially feasible, the Company shall build out and operate a 23-hour ambulatory surgical stay facility at the Center within the designated area set forth in the Company's lease of the Center dated the same date hereof. Subject to the foregoing, the Members hereby direct the Board of Managers to pursue all necessary steps to design, construct, finance, staff and operate such 23-hour stay facility at the Center so that the same is fully constructed no later than May 1, 2018, and operational and open for business as soon as practical thereafter.

X. TRANSFER OF UNITS

10.1 In General. A Member, other than the SCA Member, may not Transfer any or all of the Units owned by him, her or it, or any interest in a Unit, unless he, she or it complies with the following conditions:

a. A Supermajority of the Board must consent to the Transfer. A Supermajority of the Board will not consent to any Transfer of any Unit or of an interest in a Unit or to the admission of any Person as a substitute Member if, in its opinion, such consent and/or substitution would result in (i) a violation of any applicable federal or state law pertaining to securities regulation, (ii) the admission of a Member who has been, or an Entity Member having any Physician Interest Holder who has been, subject to a Health Care Program Adverse Event, (iii) Benefit Plan Investors owning an aggregate interest in the Company in excess of the Benefit Plan Investor Ownership Limitation, or (iv) a violation of 42 U.S.C. §§1320a-7b(b).

b. The transferring Member and his, her or its purchaser, assignee or transferee must execute and deliver to the Board of Managers such instruments of transfer and assignment with respect to such transaction as are in a form and substance satisfactory to the Board of Managers.

c. Such Member must pay the Company a transfer fee which is sufficient to pay all reasonable expenses of the Company in connection with such transaction.

Any attempt to Transfer all or any part of a Member's Units that does not comply with the terms and conditions of this Agreement shall be void. In the event the Company is required to recognize a Transfer of all or any part of a Member's Units, the transferee of such Units shall have only those rights of an Assignee as described more fully in Section 10.4 hereof and shall have no right to become a Member of the Company or to exercise the assigning Member's governance rights unless such Assignee is admitted as a substitute Member in accordance with Section 10.3 of this Agreement.

10.2 Intentionally Omitted.

10.3 Substitute Members. A purchaser, assignee or transferee of a Unit from a Member (other than the SCA Member) shall become a substitute Member within the meaning of the Act if:

a. A Supermajority of the Board consents to such person becoming a substitute Member;

b. Such person executes and acknowledges such other instruments as the Board of Managers may deem necessary or advisable to effect the admission of such person as a substitute Member, including, without limitation, the written acceptance and adoption by such person of the provisions of this Agreement; and

c. Such person pays a transfer fee to the Company that is sufficient to cover all reasonable expenses connected with the admission of such person as a substitute Member within the meaning of the Act.

The Board of Managers shall take all other steps which, in the opinion of the Board of Managers, are reasonably necessary to admit such person as a substitute Member under the Act. Notwithstanding the foregoing, and subject to the restrictions set forth in Section 10.16, a purchaser, assignee or transferee of a Unit from the SCA Member shall become a Member upon compliance with Section 10.3(b) above and no further action or approval shall be required.

10.4 Rights of Assignees. Except as otherwise provided in this Agreement, the only rights which an Assignee shall have are those rights associated with the right to receive distributions and allocations of Profits and Losses with respect to the Units held by the Assignee. The Assignee shall have no right to become a Member except as provided in Section 10.3. Any voting rights formerly incident to the Units held by an Assignee shall lapse unless and until the Assignee is admitted as a substitute Member under Section 10.3, and all computations of voting power for matters reserved to the Members shall be made only with respect to the Units held by Members.

10.5 Buy/Sell Events. If any of the buy/sell events listed in this Section 10.5 (each, a "**Buy/Sell Event**") occurs in relation to a Covered Person, the Company, upon approval of the Board of Managers, may require the affected Member to transfer his, her or its Unit(s) to either the Company or, upon approval of a Supermajority of the Board, the SCA Member. If the Buy/Sell Event occurs in relation to an Interest Holder of an Entity Member, the Board of Managers may require the Entity Member to repurchase the interest of the affected Interest Holder or to Transfer Units in accordance with the terms of Section 10.12. Notwithstanding the foregoing, and as contemplated by Section 9.5(b)(xiv), the Board of Managers shall not act with respect to a Buy/Sell Event occurring under Sections 10.5(a)(i), (a)(iii) or 10.5(b)(v) without the approval of a Supermajority of the Board.

(a) Non Adverse Buy/Sell Events

(i) The Disability, death, or judicial determination of incompetence or incapacity of a Covered Person;

(ii) Any dissolution, insolvency, or the filing of a petition or suit under the bankruptcy laws by or against a Covered Person that is not dismissed within sixty (60) days;

(iii) Upon a determination by a Supermajority of the Board, following consultation with experienced health legal counsel, that (i) under state or federal regulations or laws, or any legal developments thereunder, as applied to the continued direct or indirect ownership and operation of ambulatory surgical centers generally, continued ownership by a Covered Person would adversely affect (or potentially adversely affect), in a manner reasonably deemed substantial by a Supermajority of the Board, the operations of the Company; or (ii) under state or federal regulations or laws, or any legal developments thereunder, as applied to the specific Units of any Covered Person, continued direct or indirect ownership by any Covered Person would adversely affect (or potentially adversely affect), in a manner deemed substantial by a Supermajority of the Board, the operations of the Company or any affected Covered Person;

(iv) A Physician Interest Holder fails to satisfy the Extension of Practice Requirements;

(v) The Retirement of any Physician Interest Holder;

(vi) The relocation of a Physician Interest Holder's medical practice to a location which is twenty-five (25) miles or more from the Center; or

(vii) Benefit Plan Investors owning an interest in the Company equal to or greater than the Benefit Plan Investor Ownership Limitation.

b. Adverse Buy/Sell Events

(i) Any voluntary or involuntary Transfer of all or any part of (i) a Member's Units, or any withdrawal by a Member, except as otherwise permitted by this Agreement, or (ii) an Interest Holder's ownership interest in an Entity Member;

(ii) Any material breach of this Agreement by a Covered Person, including, without limitation, (i) a breach of Section 15.1; (ii) a Physician Interest Holder's failure to continue to comply with the Physician Interest Holder's Eligibility Requirements (other than the Extension of Practice Requirements) or (iii) a Covered Person's failure to comply with the certification requirements in Section 15.4;

(iii) The failure of a Physician Interest Holder to obtain and maintain medical staff privileges at the Center; notwithstanding anything contained herein to the contrary, this Section 10.5(b)(iii) shall not be applied if the failure to maintain medical staff privileges is the result of events that are Non-Adverse Buy/Sell Events;

(iv) A Covered Person's default under a loan or other instrument in which the Covered Person has or granted a security interest in, or lien upon, such Covered Person's Units;

(v) A Covered Person's gross misconduct that in the reasonable opinion of a Supermajority of the Board adversely affects the Company or the operation of the Center (including, but not limited to, a Covered Person's mistreatment of employees or staff at the Center), which is not corrected within ten (10) days of written notice from the Board of Managers, or a Covered person's failure to adhere to the Company's policies and procedures, which is not corrected within ten (10) days of written notice from the Board of Managers;

(vi) The voluntary, involuntary, and/or permanent suspension, revocation, termination, material limitation or cancellation of a Physician Interest Holder's license to practice medicine in the State of Connecticut;

(vii) The voluntary, involuntary, and/or permanent suspension, revocation, or non-renewal of a Physician Interest Holder's controlled substance registration certificate issued by the Drug Enforcement Administration;

(viii) The conviction of a Covered Person of a felony or crime of moral turpitude;

(ix) The occurrence of a Health Care Program Adverse Event with respect to a Covered Person;

(x) The failure of an Entity Member to cause all of its Interest Holders to execute a joinder to this Agreement;

(xi) The possession of a direct or indirect ownership interest in an Entity Member by an Interest Holder who is not a Physician who meets the Physician Interest Holder Eligibility Requirements; or

(xii) The dissociation of a Member from the Company as contemplated by the Act.

10.6 Adverse Buy/Sell Events Related to the SCA Member. Upon the occurrence of (a) a Health Care Program Adverse Event to the SCA Member, or (b) the dissolution, insolvency, or the filing of a petition or suit under the bankruptcy laws by or against the SCA Member that is not dismissed within sixty (60) days, the Members (other than the SCA Member), upon approval of the two (2) Managers appointed by the Members other than the SCA Member as contemplated by Section 9.5(b)(xiv), shall have the option to purchase all, but not less than all, of the SCA Member's Units, pro rata, at the Adverse Event Purchase Price, for a period of thirty (30) days following notice by the SCA Member of the occurrence of either of the events under this Section 10.6(a) or (b). The Members, other than the SCA Member, shall pay the Adverse Event Purchase Price to the SCA Member in immediately available funds in one final payment at the closing of the purchase of such Units, which closing shall occur no later than sixty (60) days after the date on which the Members received notice of such event. Notwithstanding anything to the contrary contained herein, this Section 10.6 shall not be the sole remedy of the Company and the Members, other than the SCA Member, with respect to a breach of this Agreement by the SCA Member.

10.7 Notice. Upon the occurrence of a Buy/Sell Event, the Member to whom such Buy/Sell Event has occurred (the "**Withdrawing Member**") or his, her or its legal representative shall give notice of the Buy/Sell Event (the "**Buy/Sell Notice**") to the Board of Managers. If such an event has occurred with respect to an Interest Holder of an Entity Member, the Entity Member shall be responsible for issuing the notice required by this Section 10.7. If the Withdrawing Member or Entity Member fails to give the Buy/Sell Notice, the Board of Managers may give the Buy/Sell Notice to the Withdrawing Member or the Entity Member. The issuance of a Buy/Sell Notice shall commence the procedures related to a Buy/Sell Event provided for in this Article X.

10.8 Purchase Option. The Company shall have the option to elect to purchase all of the Withdrawing Member's Units from such time as the Buy/Sell Event occurs until sixty (60) days following the Board of Managers' receipt of the Buy/Sell Notice. Upon approval of a Supermajority of the Board, the Company may assign its option to purchase all of the Withdrawing Member's Units to the SCA Member. The decision to cause the Company to exercise its option shall be made by the Board of Managers. To exercise an option to purchase such Units, the Company or the SCA Member, as the case may be, shall give the Withdrawing Member notice of its decision to purchase a Unit or Units (the "**Purchase Notice**") pursuant to this Section 10.8, which Purchase Notice shall specify (a) a summary of the basis for such determination, (b) a detailed description of the calculation and payment of the purchase price for such Unit(s) (pursuant to Section 10.11), and (c) whether the Company or the SCA Member (as applicable) shall purchase the Units. Unless agreed otherwise by the parties, the terms of the purchase shall be those set forth below in Section 10.11. If the Buy/Sell Event has occurred to an Interest Holder of an Entity Member, the provisions of Section 10.11 shall apply. All of the Members and Interest Holders acknowledge and agree that the decision not to exercise the rights provided hereunder after one Buy/Sell Event shall not be deemed a waiver of any rights relating to such Buy/Sell Event or to any subsequent Buy/Sell Event.

10.9 Benefit Plan Investors. Upon the occurrence of a Buy/Sell Event resulting from Benefit Plan Investors owning an interest in the Company in violation of the Benefit Plan Investor Ownership

Limitation, the number of Units subject to the Buy/Sell Event shall be that number of Units necessary to cause the Benefit Plan Investor's ownership in the Company, in the aggregate, to not exceed the maximum permitted ownership as set forth in the Benefit Plan Investor Ownership Limitation. The Board of Managers, in its sole discretion, shall select the number of Units to be purchased from each Benefit Plan Investor to cause the ownership of Benefit Plan Investors to be less than the Benefit Plan Investor Ownership Limitation.

10.10 Additional Option to Purchase Units Held by Assignee. In the event a Buy/Sell Event occurs but neither the Company nor the SCA Member (if the Company's purchase option is assigned to the SCA Member as contemplated by Section 10.8) purchases the Member's Units pursuant to Section 10.8 and as a result of the Buy/Sell Event an Assignee holds the Units subject to such options, then until the Assignee is admitted as a substitute Member pursuant to Section 10.3 the Company and the SCA Member (if applicable) shall have the continuing option to purchase the Units held by such Assignee (the "**Assignee Units**"). The Company or the SCA Member (if applicable) may exercise its rights under this Section by providing notice (the "**Assignee Purchase Notice**") to the Assignee of its election to purchase the Assignee Units, which notice shall include (a detailed description of the calculation of the purchase price for such Assignee Unit(s) (as determined pursuant to Section 10.11 as if the Assignee were a Withdrawing Member as a result of a Non-Adverse Buy/Sell Event). Any purchase of Assignee Units pursuant to this Section shall be completed pursuant to the terms of Section 10.11 as if the Assignee were a Withdrawing Member as a result of a Non-Adverse Buy/Sell Event. The SCA Member shall have the right to assign the option to purchase the Assignee Units to an Affiliate or to other Members of the Company, in the event that a Supermajority of the Board approves the assignment of the Company's right to purchase Assignee Units to the SCA Member.

10.11 Closing of Purchase of Withdrawing Member's Unit(s) and Payment Terms. If the Company or the SCA Member, as applicable, is purchasing the Unit(s) of a Member (the "**Withdrawing Member's Unit(s)**") pursuant to Section 10.8 or 10.10, the closing (the "**Closing**") of the purchase of such Unit(s) shall take place on the date agreed upon by the parties to the transfer. If the parties do not reach agreement on the date of Closing, the Company or the SCA Member, as applicable, shall set a date of Closing which shall occur no later than thirty (30) days after the Withdrawing Member's receipt of the Purchase Notice. The Board of Managers shall, at its sole option, determine the purchase price for the Unit(s) being sold utilizing one of the calculation methods specified in this Section which shall be calculated and paid as follows:

a. If the purchase of Units is triggered by a Non-Adverse Buy/Sell Event, the purchase price shall be the Fair Market Value Transfer Price set forth in the Purchase Notice (or the Assignee Purchase Notice, if applicable) multiplied by the Withdrawing Member's Company Percentage. The Company or the SCA Member, as the case may be, shall pay the Fair Market Value Transfer Price in immediately available funds in one final payment at the Closing, or at Company's or SCA Member's option, as applicable, by delivery of a promissory note bearing interest at the prime rate of interest as published in The Wall Street Journal, plus one percent (1%) with sixty (60) equal amortizable payments of principal and interest (the "**Note**"); or

b. In lieu of paying the Fair Market Value Transfer Price as of the date of Closing as set forth in Section 10.11(a) above, the Board of Managers may determine an initial estimated purchase price as of the date of the Closing (the "**Estimated Purchase Price**") by (i) determining the Fair Market Value Transfer Price as of the date of Closing and (ii) multiplying such Fair Market Value Transfer Price by the Withdrawing Member's Company Percentage. The Company or the SCA Member, as the case may be, shall pay at the Closing, in cash or immediately available funds, an initial payment equal to twenty percent (20%) of the Estimated Purchase Price (the "**Closing Payment**") to the Withdrawing Member. The Board of Managers shall then determine a final

purchase price as of the date of the first annual anniversary of the Closing (the "**Final Purchase Price**") by (i) determining the Fair Market Value Transfer Price (except that the period used in the calculation of the purchase price shall be the twelve (12) month period subsequent to the Closing), and (ii) multiplying such Fair Market Value Transfer Price by the Withdrawing Member's Company Percentage as of the date of Closing. The Company or the SCA Member, as the case may be, shall pay, in cash or immediately available funds, the Final Purchase Price less the Closing Payment to the Withdrawing Member which shall be payable in one final payment within thirty (30) days after the determination of the Final Purchase Price or at the Company's or SCA Member's option, as applicable, by delivery of the Note in an amount equal to the Final Purchase Price less the Closing Payment. Aggregate payments to be made in connection with a Buy/Sell Event by the Company shall not exceed seven and one half percent (7.5%) of the Company's annual operating income for the then current Fiscal Year. If payments are so restricted, payment shall be made in proportion to amounts owed to all Members as a result of Buy/Sell Events and the balance of that Fiscal Year's payment obligations shall be deferred to the following Fiscal Year or Years, until such amounts can be paid without violating such limitation with respect to any such Fiscal Year or Years. Within thirty (30) days following the end of each Fiscal Year, the Company shall make an adjusted payment to the former Members if and to the extent that actual aggregate collections during the prior Fiscal Year (or relevant portion thereof) have exceeded the anticipated amount.

c. Notwithstanding anything contained herein to the contrary, when calculating the Final Purchase Price, the Board of Managers shall exclude any and all expenses or revenues attributable to cases referred to the Center by the Withdrawing Member from the calculations of the Final Purchase Price.

d. In connection with the purchase of Unit(s) pursuant to an Adverse Buy/Sell Event, other than a breach of Section 15.1, the purchase price shall be determined as of the last day of the month preceding the Purchase Notice and shall be the Adverse Event Purchase Price multiplied by the Withdrawing Member's Company Percentage. The Company or the SCA Member, as the case may be, shall pay the purchase price to the Withdrawing Member, in immediately available funds in one payment within thirty (30) days after the determination of the purchase price or at the Company's or the SCA Member's option, as applicable, by delivery of the Note in an amount equal to the purchase price.

e. In connection with the purchase of Unit(s) pursuant to breach of Section 15.1 the purchase price shall be determined as of the last day of the month preceding the Purchase Notice and shall be the Net Book Value Purchase Price multiplied by the Withdrawing Member's Company Percentage. The Company shall pay the purchase price to the Withdrawing Member, in immediately available funds in one payment at Closing, or at the Company's option, by delivery of the Note in an amount equal to the purchase price.

f. Except as otherwise provided in Section 10.5(b)(iii), in the event a Buy/Sell Event qualifies as both an Adverse Buy/Sell Event and a Non Adverse Buy/Sell Event, the Buy/Sell Event shall be deemed to be an Adverse Buy/Sell Event.

g. At the Closing, the Withdrawing Member shall execute and deliver such assignments and other instruments as may be reasonably necessary to evidence and carry out the transfer of such Unit(s) to the Company or the SCA Member, as the case may be. The Board of Managers shall be entitled to adjust the Fair Market Value Transfer Price from time to time, at its reasonable discretion, if it is advised to do so by an independent third party healthcare appraiser and if such revisions will more closely align the Fair Market Value Transfer Price with the fair market value of the interests of other healthcare entities of comparable size and function.

h. Notwithstanding the foregoing, all obligations of the Withdrawing Member to the Company shall become immediately due and payable upon purchase of the Withdrawing Member's Unit(s). To the extent not previously taken into account pursuant to this Section 10.11, the purchase price shall be reduced by the amount of any such obligations.

10.12 Effect of a Buy/Sell Event Related to an Interest Holder of an Entity Member. If a Buy/Sell Event occurs regarding an Interest Holder of an Entity Member, the Board of Managers may, in its sole and absolute discretion, require the Entity Member to repurchase the Interest Holder's interest in the Entity Member pursuant to the terms of an Entity Member's Owners' Agreement (or similar agreement) of the Entity Member. If the Entity Member fails to repurchase the Interest Holder's interest in the Entity Member within sixty (60) days (the "**Repurchase Period**") of the Board of Managers' written demand, the Company shall have the option to purchase from the Entity Member the Interest Holder's Proportionate Units for an amount attributable to the Interest Holder's Proportionate Units and calculated in accordance with the applicable provisions of Section 10.11. Upon approval of a Supermajority of the Board, the Company may assign its option to purchase such Interest Holder's Proportionate Units to the SCA Member. If the Entity Member fails to repurchase the Interest Holder's interest in the Entity Member within the Repurchase Period, the Board of Managers or the SCA Member, as applicable, shall provide notice (the "**Repurchase Failure Notice**") to such Entity Member of the Entity Member's failure to repurchase the Interest Holder's interest in the Entity Member, which notice shall include (a) the calculation of the Interest Holder's Proportionate Units and (b) a detailed description of the calculation of the purchase price for such Unit(s) (as determined pursuant to Section 10.11 as if the Interest Holder were a Withdrawing Member). The Company or the SCA Member, as the case may be, may exercise its option by providing notice of its election to the Entity Member within the sixty (60) day period following the receipt of the Repurchase Failure Notice. Notwithstanding the foregoing provisions of this Section 10.12 to the contrary, (a) if a Buy/Sell Event occurs and the failure of the Entity Member to repurchase such Interest Holder's interest in the Entity Member would result in the Company being (i) subject to a Health Care Program Adverse Event or (ii) in violation of applicable law, as determined by the Board of Managers, then either the Company or, upon approval of a Supermajority of the Board, the SCA Member, shall have the option to repurchase all Units owned by the Entity Member for an amount equal to the Net Book Value Purchase Price multiplied by the Entity Member's Company Percentage and (b) if the Company and an Entity Member have executed an Entity Member's Owner's Agreement and the terms of this Agreement conflict with the terms of the Entity Member's Owner's Agreement, the terms of the Entity Member's Owner's Agreement will govern. In addition, each Entity Member shall give the Board of Managers and the SCA Member written notice of any change in its Interest Holders.

10.13 Effect on Withdrawing Member's Interest. From the date of the exercise of an option to purchase following the occurrence of a Buy/Sell Event until the date of Closing, the Withdrawing Member shall have no right to vote his, her or its Units under this Agreement and the Withdrawing Member's Units will be excluded from any calculation of aggregate Units for purposes of any approval required of the Members under this Agreement. Without limiting the generality of any other provision of this Agreement, following Closing, the Withdrawing Member will have no rights in, or against, the Board of Managers, the Company or any Member other than the right to receive payment for his, her or its Units in accordance with this Article X.

10.14 No Dissolution or Termination. The admission, addition, removal, withdrawal, substitution or bankruptcy of any Member shall not dissolve or terminate the Company or otherwise be treated as a change of ownership or the formation of a new limited liability company. No Member shall have the right to have the Company dissolved or to have his, her or its Capital Contribution returned except as provided in this Agreement.

10.15 Liquidated Damages. The Members agree that in each of the circumstances where the purchase price to be paid for Units pursuant to this Agreement is less than the fair market value of the purchased Units, that the Company has been damaged by the circumstance giving rise to the less than fair market value purchase and that such difference between the fair market value and the purchase price is intended to compensate the party sustaining the damage, in part, for the damage sustained. The Members further agree that it is inherently difficult to determine with precision the amount of damages arising in such circumstances and that it is for this reason that the Members have provided for a specific dollar amount calculated as the difference between the fair market value of the Units and the purchase price to compensate the damaged party, in part, for the damages sustained. This provision is not intended to limit the damaged party's ability to recover the damages it receives as a result of the circumstance giving rise to the purchase hereunder.

10.16 Transfers by the SCA Member. Notwithstanding anything herein to the contrary, the SCA Member may freely Transfer Units held by the SCA Member to an entity or entities that are wholly owned, directly or indirectly, by SCA after providing prior written notice to the Members of such proposed Transfer of Units and provided that the Transfer complies with Sections 10.1(b) and (c); provided, however, that any proposed Transfer of Units by the SCA Member to unaffiliated third parties, including but not limited to hospitals, physician groups, or surgery center management companies, shall require the approval of a Supermajority of the Members; provided further that any proposed Transfer of Units by the SCA Member to new or existing Physician Interest Holders shall only require the approval of a Supermajority of the Board.

XI. DISSOLUTION AND WINDING UP OF THE COMPANY

11.1 Dissolution of the Company. In no event shall the death of any Member result in dissolution of the Company. The Company will be dissolved upon the following events:

a. All or substantially all of the assets of the Company are sold, exchanged or otherwise transferred (unless a Supermajority of the Members have elected to continue the business of the Company, in which event the Company will continue until the Members elect to dissolve the Company);

b. As determined by the Board of Managers and a Supermajority of the Members;

c. The entry of a final judgment, order or decree of a court of competent jurisdiction adjudicating the Company to be bankrupt and the expiration without appeal of the period, if any, allowed by applicable law in which to appeal;

d. The determination by a Supermajority of the Board that state or federal regulations or law, or any legal developments thereunder, as applied to the Company or to the Units of the Members, would adversely affect (or potentially adversely affect), in a manner deemed substantial by a Supermajority of the Board, the operations of the Company or the Members;

e. The entry of a decree of judicial dissolution or the issuance of a certificate for administrative dissolution under the Act; or

f. The determination by a Supermajority of the Board that the Center has not been operating for more than thirty (30) consecutive days.

11.2 Winding Up of the Company. Upon the dissolution of the Company, the Board of Managers shall take full account of the Company's assets and liabilities, and the assets shall be liquidated

as promptly as is consistent with obtaining the fair value thereof. The proceeds therefrom, to the extent sufficient therefor, shall be applied and distributed as provided in the Act and this Agreement; provided, however, that after payment of or creating adequate reserves to provide for all Company debts, obligations and liabilities, the remaining Company assets, notwithstanding anything contained in this Agreement to the contrary, shall be distributed to the Members in accordance with their ending positive Capital Account balances after all allocations and any other Capital Account adjustments for the Fiscal Year are made. All Company assets shall be distributed by the later of (i) the last day of the tax year of the liquidation as defined in Regulations Section 1.704-1(b) or (ii) ninety (90) days after the liquidation; provided, however, if the Company creates reserves or holds installment obligations owed to Company, such amounts will be distributed as soon as practicable and in proportion to the Members' ending positive Capital Account balances.

XII. BOOKS OF ACCOUNT, ACCOUNTING, REPORTS, FISCAL YEAR, BANKING AND TAX ELECTION

12.1 Books of Account. The Company's books and records (including a current list of the names and addresses of all Members) and an executed copy of this Agreement, as currently in effect, shall be maintained at the principal office of the Company, and each Member shall have access thereto at all reasonable times. The books and records shall be kept by the Board of Managers using an appropriate method of accounting consistently applied and shall reflect all Company transactions and be appropriate and adequate for the Company's business. The Board of Managers shall also keep adequate federal income tax records using an appropriate method of accounting applied on a consistent basis.

12.2 Financial Reports. As soon as reasonably practicable after the end of each Fiscal Year, but not later than March 31 of the next succeeding year, an unaudited balance sheet of the Company as of the last day of such Fiscal Year and unaudited statements of income or loss of the Company for such year shall be made available to each Member. In addition, the Company will make available to the Members unaudited quarterly summaries of its operations. All such financial statements shall be prepared on an accrual basis of accounting in accordance with GAAP, consistently applied. The Company shall also furnish to each Member not later than March 31 of each year whatever information may be necessary for Members to file their federal income tax returns. The Company will also make available to each Member upon request a copy or summary of all federal, state and/or local tax returns which are filed by the Company. The Company will make available to the Members any audited balance sheet of the Company, if one has been prepared.

12.3 Fiscal Year. The "**Fiscal Year**" of the Company shall be the calendar year except as otherwise required by the Code or Regulations.

12.4 Tax Election. Subject to the Section 8.16, (i) upon the transfer of an interest in the Company or in the event of a distribution of the Company's property, the Company may, but is not required to, elect pursuant to Code Section 754 to adjust the basis of the Company's property as allowed by Sections 734(b) and 743(b) thereof, and (ii) the Board of Managers shall have the sole authority and discretion to make such an election.

12.5 Tax Returns. The Board of Managers shall, for each Fiscal Year, file on behalf of the Company with the Internal Revenue Service a Company Return within the time prescribed by law (including any extensions) for such filing. The Board of Managers shall also file on behalf of the Company such state and/or local income tax returns as may be required by law.

XIII. POWER OF ATTORNEY

13.1 Appointment of Attorney-in-Fact. Each Member hereby makes, constitutes and appoints any Manager, and any officer of the Company, with full power of substitution and re-substitution, his, her or its agent and attorney-in-fact to file for record, and to sign, execute, certify and acknowledge, any other instruments which may be required of the Company or of the Members by law to qualify or continue the Company under the Act, including, but not limited to, amendments to or cancellations of this Agreement, including any amendments necessary to substitute or add a Member or a Manager pursuant to this Agreement, or of the Certificate. Each Member authorizes such attorney-in-fact to take any further action which such attorney-in-fact shall consider reasonably necessary in connection with the foregoing, hereby giving such attorney-in-fact full power and authority to act to the same extent as if such Member were himself personally present. Notwithstanding anything to the contrary, the foregoing power of attorney does not authorize or empower any Manager to take any action that would otherwise require the approval of the Members.

13.2 Effect of Power. The power of attorney granted pursuant to Section 13.1 of this Agreement:

a. Is a special power of attorney coupled with an interest, is irrevocable, and shall survive the death, dissolution, insanity, or incapacity of the granting Member; and

b. May be exercised by such attorney-in-fact for each Member by listing all of the Members executing any agreement, certificate, instrument or document with the single signature of such attorney-in-fact as attorney-in-fact for all of them; and

c. Shall survive the delivery of an assignment by a Member of the whole or a portion of his interest in the Company, except that where the purchaser, transferee or assignee thereof is to be admitted as a substitute Member, the power of attorney shall survive the delivery of such assignment for the sole purpose of enabling such attorney-in-fact to execute, acknowledge and file any agreement, certificate, instrument, or document necessary to effect such substitution.

XIV. AMENDMENTS AND VOTING

14.1 Amendments. Amendments to this Agreement may be proposed by the SCA Member or by Members holding an aggregate Company Percentage of greater than ten percent (10%).

a. A proposed amendment shall be adopted and effective as an amendment to this Agreement upon the approval of a Supermajority of the Members.

b. In addition to any amendments otherwise authorized herein, the Board of Managers may, upon approval of Supermajority of the Board, without obtaining the consent of the Members, amend this Agreement from time to time as follows:

(i) to cure any ambiguity, to correct or supplement any provision in this Agreement which may be inconsistent with any other provision herein, or to make any other provisions with respect to matters or questions arising under this Agreement or the Certificate, as the case may be, which will not be inconsistent with the provisions of this Agreement or the Certificate as the case may be, provided that such amendment does not adversely affect the interests of the Members;

(ii) as necessary in the opinion of counsel to the Company for the allocations of taxable income and loss contained herein to be respected for federal income tax purposes, provided that no such amendment shall materially increase the obligations of the Members hereunder of materially dilute their rights under the Agreement;

(iii) upon advice of counsel that the operations of the Company are in violation of law, to cause this Agreement to comply with law; provided, however, such amendments shall not alter materially the economic objectives of the Company and, further, provided that any amendment to or deletion of any provision shall not in the opinion of a Supermajority of the Board materially reduce the economic return to the Members; or

(iv) Such that the SCA Member and SCA will be able to consolidate the financial results of operations and financial condition of the Company with the financial results of operation and financial condition of its ultimate parent under applicable requirements of GAAP, consistently applied, as such may change from time to time, as determined in the reasonable opinion of SCA's independent certified accountants; provided, however, that any such change does not have an adverse economic impact on the Members other than the SCA Member.

c. The Board of Managers may, without obtaining the consent of the Members, amend this Agreement to evidence the admission of additional or substitute Members admitted in accordance with the terms of this Agreement.

14.2 Meetings and Means of Voting. Meetings of the Members may be called by the Board of Managers, the SCA Member or by Physician Interest Holders holding at least thirty percent (30%) of the Units then held by all Physician Interest Holders. The call for any meeting called under this Section 14.2 shall state the nature of the business to be transacted. Notice of any such meeting shall be delivered by the Board of Managers within ten (10) days of its calling to all Members in the manner prescribed in Section 17.1 of this Agreement and such meeting shall be held not less than fifteen (15) days nor more than sixty (60) days after such notice. Members may vote in person or by proxy at any such meeting. Whenever the vote or consent of Members is permitted or required under this Agreement, such vote or consent may be given at a meeting of Members or may be given in writing. For purposes of obtaining a written vote, the Board of Managers may require response within a specified time, but not less than thirty (30) days from the date notice is deemed to have been given, and failure to respond shall constitute a vote which is consistent with the Board of Managers' recommendation with respect to the proposal.

14.3 Voting Rights. Except as otherwise required by the Act, this Agreement does not grant to any Member the right to vote upon any matter not specifically provided for in this Agreement. Subject to the reserve powers of the Members set forth in this Agreement, the Board of Managers of the Company has complete right and power to control all management functions and decisions of the business and affairs of the Company.

XV. DUTIES OF COVERED PERSONS; RESTRICTIVE COVENANTS; LIMITED CALL RIGHTS

15.1 Covenants of Covered Persons. Except as set forth on Schedule B, each Covered Person agrees that during the Restricted Period, other than through the Company, no Covered Person nor any of his or her Affiliates shall, without the prior written approval of the Board of Managers, directly or indirectly, own, manage, operate, control or participate in any manner in the ownership, management, operation or control of, or serve as a partner, employee, principal, agent, consultant or otherwise contract with, or have any financial interest in, or aid or assist any other person or entity that operates a facility (including an

ambulatory surgery center, a hospital, or an office-based or practice-based facility or operating site or room that provides any of the services offered by the Company (each, a "**Competing Facility**")) to provide outpatient surgical services within twenty-five (25) miles from the address of the Center. Further, a Covered Person may not provide services of the type provided by the Center in his or her office if the Covered Person's office, or other entity with which the Covered Person has a compensation relationship or in which the Covered Person has an ownership interest, is accredited, licensed or Medicare-certified or such entity or Covered Person receives a facility fee or technical fee or a site-of-service differential in connection with performing surgery at such location. Notwithstanding the foregoing, nothing in this Section 15.1 shall prohibit a Covered Person from (i) providing medical staff governance, administrative or similar services at a hospital, with Approval of the Members; (ii) maintaining staff privileges at any hospital; or (iii) continued participation and ownership in Danbury Surgical Center, located at 73 Sand Pit Rd # 101, Danbury, CT 06810.

a. Equitable Remedy. Each Covered Person acknowledges that the restrictions contained in this Section 15.1 are reasonable and necessary to protect the legitimate interests of the Company and that any violation of such restrictions would result in irreparable injury to the Company. In addition to any other remedy or remedies to which the Company may be entitled in law or in equity, the Company shall be entitled to preliminary and permanent injunctive relief for a violation or threatened violation of this Section 15.1 without having to prove actual damages or to post a bond, and the Company shall also be entitled to an equitable accounting of all earnings, profits and other benefits arising from such violation. Each Covered Person hereby waives any objections on the grounds of improper jurisdiction or venue to the commencement of an action in the State of Connecticut and agrees that effective service of process may be made upon him or her by mail under the provisions of Section 17.1.

b. Judicial Determination. If a court should hold that the restrictions set forth in Section 15.1 are unenforceable because they are unreasonable, then to the extent permitted by law, the court may prescribe the longest duration for the Restricted Period and/or the largest radius or area for the restricted area that is reasonable and the parties agree to accept such determination subject to their rights of appeal. Nothing herein stated shall be construed as prohibiting the Company from pursuing any other remedy or remedies available for such breach or threatened breach, including recovery of damages from the Covered Person or injunctive relief.

c. Extension of Restricted Period. If a Covered Person is in violation of Section 15.1 at any time, then the Restricted Period shall be extended for a period of time equal to the period during which said violation or violations occurred. If the Company seeks injunctive relief from said violation in court, then the running of the Restricted Period shall be suspended during the pendency of said proceeding, including all appeals. This suspension shall cease upon the entry of a final judgment in the matter, not subject to further appeal.

d. Return of Purchase Price. In the event a former Covered Person violates the provisions of Section 15.1 after the date on which he, she or it has, directly or indirectly, Transferred his, her or its Units (which shall include a Transfer by an Interest Holder of his, her or its interest in an Entity Member), and the Company or the SCA Member purchased the Units or Interest Holder's Proportionate Units related to such former Covered Person, such Covered Person shall pay to the Company or the SCA Member, as the purchaser of such Units or Interest Holder's Proportionate Units as follows:

(i) If the former Covered Person was a Member, such former Covered Person shall pay the Company or the SCA Member, as applicable, an amount equal to the difference between (A) the greater of the purchase price received upon the Transfer of his,

her or its Units or the fair market value of the Units on such date, as determined by the SCA Member and (B) the Net Book Value Purchase Price multiplied by the Withdrawing Member's Company Percentage as of the date of such Transfer;

(ii) If the former Covered Person was an Interest Holder, the Entity Member shall pay or shall cause such Interest Holder to pay the Company or the SCA Member, as applicable, an amount equal to the difference between (A) the greater of the purchase price received upon the Transfer of the Interest Holder's Proportionate Units related to such former Covered Person or the fair market value of the Interest Holder's Proportionate Units on such date, as determined by the SCA Member and (B) the Net Book Value Purchase Price multiplied by the portion of the Entity Member's Company Percentage attributable to the Interest Holder's Proportionate Units as of the date of such Transfer.

15.2 Medical Malpractice Insurance. Each Physician Interest Holder shall maintain and each Entity Member shall cause its Physician Interest Holders who are physicians on the medical staff of the Center to maintain medical malpractice insurance in accordance with the Center's medical staff bylaws.

15.3 Non-Discrimination. Each Physician Interest Holder shall treat, and each Entity Member shall cause its Physician Interest Holders to treat, the Center's patients receiving medical benefits or assistance under any Federal health care program in a nondiscriminatory manner.

15.4 Certification.

a. In order to assist the Board of Managers in determining whether each Physician Interest Holder is using the Center as an extension of his or her practice, each Physician Interest Holder shall certify in writing to the Company at such times as requested (provided no more frequently than once per calendar year) and in the then current written form as may be required by the Board of Managers, with respect to the preceding twelve (12) months: (i) whether such Physician Interest Holder satisfied the Extension of Practice Requirements; (ii) whether such Physician Interest Holder has been subject to a Health Care Program Adverse Event; (iii) whether all patients referred to the Center by the Physician Interest Holder were fully informed of the Physician Interest Holder's ownership interest in the Company; and (iv) whether such Physician Interest Holder maintains medical malpractice insurance in accordance with the requirements set forth in the Center's medical staff bylaws. In addition, each Covered Person shall certify in writing to the Company at such times (provided no more frequently than once per calendar year) and in the current written form as may be required by the Board of Managers, with respect to the preceding twelve (12) months (i) whether such Covered Person has complied with the terms of this Agreement; (ii) whether such Covered Person is subject to a Buy/Sell Event and (iii) if an Entity Member, whether there have been any changes in its Interest Holders or the percentage of equity owned by the Interest Holders in the Entity Member within the previous twelve (12) month period.

b. "**Extension of Practice Requirements**" means the requirements that a Physician: (i) derive at least one-third (1/3) of his or her annual medical practice income (from all sources) from performing Outpatient Surgical Procedures, or procedures requiring an ambulatory surgery center or hospital operating room setting, or from providing anesthesia in connection with such procedures, and (ii) perform at least one-third (1/3) of his or her Outpatient Surgical Procedures or anesthesia procedures as applicable at the Center. For purposes of this definition, "**Outpatient Surgical Procedures**" shall mean those surgical procedures on the list of Medicare covered procedures for ambulatory surgery centers under applicable Medicare regulations in effect at the time a procedure is performed. The intent of the Extension of Practice Requirements is to ensure that each Physician Interest Holder is not serving as an indirect referral source with respect to the

Center and that each Physician Interest Holder actively performs services at the Center. The Extension of Practice Requirements are intended to establish general standards for physicians based upon the Office of Inspector General safe harbors for surgery centers. The Board of Managers, acting in its sole discretion, may waive a Physician Interest Holder's compliance with all or a portion of the Extension of Practice Requirements if the Board of Managers reasonably believes that a Physician Interest Holder is acting in good faith to comply with the applicable statutes, including 42 U.S.C. §1320a-7b, and the Board of Managers reasonably believes that the Company will not be in violation of applicable law if such Physician Interest Holder continues to have a direct or indirect ownership interest in the Company.

15.5 Physician Interest Holder Eligibility Requirements.

a. All Physician Interest Holders must:

(i) Be licensed to practice medicine in the State of Connecticut;

(ii) Obtain and maintain medical staff privileges at the Center and at least one local hospital in Fairfield County, Connecticut;

(iii) At all times, be in compliance with paragraphs (A) through (C) of this subsection and affirm in writing, in connection with the initial acquisition of his or her Units and, thereafter, at such times (provided no more frequently than once per calendar year) and in the written form as may be then be required by the Board of Managers from time to time:

(A) the Physician Interest Holder agrees to fully inform each patient referred to the Center by the Physician Interest Holder of his or her ownership interest in the Company;

(B) the Physician Interest Holder satisfies the Extension of Practice Requirements (or, if a new Physician Interest Holder, he or she satisfies component (i) of the Extension of Practice Requirements and expects to satisfy component (ii) of the Extension of Practice Requirements at the Center each year); and

(C) the Physician Interest Holder has treated patients receiving medical benefits or assistance under any federal health care program (including Medicare and Medicaid) in a non-discriminatory manner.

b. The criteria set forth in Section 15.5(a), as well as the requirement to make representations regarding compliance with the criteria in the form and pursuant to the time intervals set forth above, are referred to as the "**Physician Interest Holder Eligibility Requirements**."

c. An Entity Member may become a Member in accordance with the terms of this Agreement only if each of its Physician Interest Holders satisfies the Physician Interest Holder Eligibility Requirements.

d. The SCA Member may require any Member that is not an Entity Member or Physician Interest Holder to transfer his, her or its Units to the SCA Member or the Company for the Fair Market Value Transfer Price.

15.6 Confidentiality. Each Member shall, and shall cause each agent or principal thereof, to keep secret and confidential, all information acquired relating to the following (all such information being hereinafter referred to as "**Confidential Business Information**"): (a) the financial condition and other information relating to the business of the Company, including, without limitation, its rates for services, its operations and contracts, and its business plans and arrangements; (b) the systems, products, plans, services, marketing, sales, administration and management procedures, trade relations or practices, techniques and practices heretofore or hereafter acquired, developed and/or used by the Company; and (c) in connection with the Company's patients, providers, clients, customers, suppliers, vendors, lenders, independent contractors, and payors, the provisions and terms of any agreements or proposed agreements between the Company and any of such individuals or entities. No Member shall at any time disclose any such Confidential Business Information to any person, firm, corporation, association or other entity, or use the same in any manner other than in connection with operating the business and affairs of the Company or the Center; provided, however, a Member may disclose Confidential Business Information to a bona fide, potential third-party purchaser of any interest in the Company, if the purchase is to be made in accordance with any applicable provisions hereof and if such third party has executed a confidentiality agreement acceptable to the Board of Managers pursuant to which such third party has agreed to keep the Confidential Business Information strictly confidential. Subject to the foregoing proviso, no Member shall under any circumstances use Confidential Business Information in any way the Board of Managers reasonably believes is detrimental to the Company or the Center. Notwithstanding the foregoing, the term "**Confidential Business Information**" shall not include the following: any information which was independently developed by a party without the use of the Confidential Business Information; any information which is or becomes available in the public domain during the term of this Agreement other than through a breach of this Agreement or other agreement with the Company or the Center; any information which is ordered to be released by requirement of a governmental agency or court of law; any information provided to a party's professional advisers (i.e., attorneys and accountants); and any information independently made lawfully available to a party as a matter of right by a third party. Each Member agrees that these confidentiality covenants shall apply while a Person is a Member and also at all times thereafter.

15.7 Covenants of the SCA Member.

a. The SCA Member agrees that for so long as it is a Member of the Company, neither the SCA Member nor any of its Affiliates, other than through the Company or as otherwise contemplated by this Section 15.7, shall, directly or indirectly, own, manage, operate, control or participate in any manner in the ownership, management, operation or control of, or have any financial interest in, an outpatient surgical facility whose primary business focus is orthopedic, spine or pain-related surgical procedures (each, an "**SCA Competing Facility**"), that is located both (i) within ten (10) miles of the Center and (ii) within the borders of the State of Connecticut (the "**SCA Restricted Area**"). For the purposes of this Section 15.7, an outpatient surgical facility shall be construed to have a primary business focus in orthopedic, spine or pain-related surgical procedures if at least fifty-one percent (51%) of the surgical case volume of such facility during any consecutive twelve (12) month period is from orthopedic, spine and pain-related surgical procedures in the aggregate.

b. Notwithstanding anything to the contrary in this Section 15.7, nothing shall prohibit or restrict the SCA Member or its Affiliates from (i) holding an ownership interest in, or having a contractual arrangement for the management or operation of, Danbury Surgical Center, Limited Partnership, a Connecticut limited partnership ("**DSC**"), or any successor in interest thereof, or (ii) acquiring or holding an interest in an SCA Competing Facility that is acquired in connection with a transaction involving the acquisition of multiple healthcare facilities, provided that the net revenue generated by the acquired SCA Competing Facility did not represent greater

than fifty percent (50%) of the total net revenues generated by all healthcare facilities acquired in such transaction, during the trailing twelve (12) month period immediately preceding the closing of such transaction.

c. A breach of the covenants in this Section 15.7 may result in material damages to the Company and the Physician Interest Holders and shall entitle the Company and the Physician Interest Holders to recover damages in addition to the other remedies and rights provided herein. The Company and the Physician Interest Holders shall have the right periodically to audit the books and records of the SCA Member or its Affiliates solely for the purpose of confirming whether a facility that would otherwise meet the definition of an SCA Competing Facility actually derives fifty-one percent (51%) or more of its case volume during any consecutive twelve (12) month period from orthopedic, spine and pain-related surgical procedures in the aggregate.

d. The SCA Member acknowledges that the restrictions contained in this Section 15.7 are reasonable and necessary to protect the legitimate interests of the Company and the Physician Interest Holders and that any violation of such restrictions would result in irreparable injury to the Company and the Physician Interest Holders. In addition to any other remedy or remedies to which the Company and the Physician Interest Holders may be entitled in law or in equity, the Company and the Physician Interest Holders shall be entitled to preliminary and permanent injunctive relief for a violation or threatened violation of this Section 15.7 without having to prove actual damages or to post a bond, and the Company and the Physician Interest Holders shall also be entitled to an equitable accounting of all earnings, profits and other benefits arising from such violation. The SCA Member hereby waives any objections on the grounds of improper jurisdiction or venue to the commencement of an action in the State of Connecticut and agrees that effective service of process may be made upon him or her by mail under the provisions of Section 17.1.

e. If a court should hold that the restrictions set forth in Section 15.7 are unenforceable because they are unreasonable, then to the extent permitted by law, the court may prescribe the longest duration for the restricted period and/or the largest radius or area for the restricted area that is reasonable and the parties agree to accept such determination subject to their rights of appeal. Nothing herein stated shall be construed as prohibiting the Company or the Physician Interest Holders from pursuing any other remedy or remedies available for such breach or threatened breach, including recovery of damages from the SCA Member or injunctive relief.

15.8 Limited Call Rights of the Physician Interest Holders.

a. If, prior to January 16, 2019 (the "**Expiration Date**"), both of the following have acquired direct or indirect ownership interests in DSC (an "**SCA Triggering Event**"), the Physician Interest Holders shall have the call rights specified below in this Section 15.8:

i. Western Connecticut Health Network, a Connecticut non-stock corporation, or one of its affiliates; and

ii. At least six (6) or more Physicians, in the aggregate, who are members of a single orthopedic or spine physician practice group **[whose other group member(s) are not currently investors in DSC or another ambulatory surgical facility located within the SCA Restricted Area].**

b. Upon the occurrence of an SCA Triggering Event, the SCA Member shall notify the Physician Interest Holders of the occurrence of such SCA Triggering Event (the "**Triggering**

Event Notice") as soon as reasonably practicable but in no event more than five (5) days following the occurrence of such event. Upon receipt of such notice, the Physician Interest Holders may, upon Two-Thirds Physician Vote, elect to purchase all, but not less than all, of the SCA Member's Units in the Company (the "**Call Right**").

c. To exercise the Call Right, the Physician Interest Holders must deliver written notice of their intent to exercise the Call Right (the "**Call Notice**"), within thirty (30) days after receipt of the Triggering Event Notice (the "**Option Period**"). Upon the expiration of the Option Period, the Call Right shall expire automatically, and the Physician Interest Holders shall be deemed to have knowingly waived the Call Right. For the sake of clarification, in no event shall the Physician Interest Holders be permitted to exercise the Call Right at any time more than thirty (30) days after the Expiration Date.

d. If the Physician Interest Holders issue a Call Notice prior to the expiration of the Option Period, the SCA Member shall be obligated to sell all, but not less than all, of its Units in the Company to the Physician Interest Holders.

e. If the Physician Interest Holders exercise the Call Option, the aggregate purchase price payable to the SCA Member for its Units in the Company shall be calculated as follows:

i. If the Call Option is exercised prior to May 1, 2018, the purchase price shall be equal to the aggregate gross purchase price paid by the SCA Member to acquire such Units under the Purchase Agreement; and

ii. If the Call Option is exercised after May 1, 2018, the parties shall promptly and jointly engage a mutually acceptable independent, third-party valuation firm to determine the fair market value of the SCA Member's Units, and the purchase price shall be equal to the amount determined by such valuation firm.

f. The Physician Interest Holders shall have two hundred seventy (270) days from the date on which a Call Notice is delivered to the SCA Member to close the acquisition of the SCA Member's Units.

g. At the closing of any purchase of the SCA Member's Units under this Section 15.8, the SCA Member shall transfer and sell the Units to the Physician Interest Holders pursuant to one or more Membership Interest Purchase Agreements in substantially similar form as the Purchase Agreement.

h. In the event that the Physician Interest Holders have not completed the purchase of the SCA Member's Units hereunder within such two hundred seventy (270) day period, the Physician Interest Holders shall be deemed to have knowingly waived the Call Right, and the Physician Interest Holders shall no longer have the right to exercise the Call Right.

i. The parties expressly acknowledge and agree that the Call Right shall be the sole right and remedy of the Physician Interest Holders in the event of the occurrence of an SCA Triggering Event.

15.9 Certain Restrictions. The Physician Interest Holders acknowledge and agree that through December 31, 2018, the SCA Member will not participate in the recruitment of, or vote to admit as a Member of the Company, any of the neurosurgeons, otolaryngologists or urologists who have been in discussions with SCA prior to the Phase I Closing Date to join DSC as limited partners. The Physician

Interest Holders covenant that they will not take any action against the SCA Member for its unwillingness to participate in the recruitment of any such physicians or its refusal to vote for the admission of any such physicians as Members of the Company.

XVI. BOARD OF MANAGERS' TRANSACTIONS AND LIABILITY

16.1 Permitted Transactions of the SCA Member.

a. The SCA Member may engage in or possess interests in business ventures other than the Company, of every nature and description, independently or with others, including, but not limited to, the operation of other health care facilities and neither the Company nor the Members shall have any right by virtue of this Agreement in or to such independent ventures or to the income or profits derived therefrom.

b. The fact that the SCA Member is directly or indirectly interested in or connected with any person who renders or performs a service to the Company, or any person from whom the Company may borrow money, shall not prohibit the Company from engaging in any transaction with such person or create any duty or legal justification additional to that which would exist if such person were not so related to the Company, and neither the Company nor any other Member shall have any right in or to any income or profits derived from such transaction by such person.

16.2 Liability of the Managers to the Members and the Company. The Managers shall not be required to devote all of its time or business efforts to the affairs of the Company but shall devote so much of its time and attention to the Company as is reasonably necessary and advisable to manage the affairs of the Company to the best advantage of the Company. The Managers shall not be liable to the Members because any taxing authorities disallow or adjust any deductions, allocations or credits in the Company income tax returns. Furthermore, the Managers shall not have any personal liability for the repayment of capital contributions of the Members. No amendment of this Section shall be binding on any Person or change the rights of such Person hereunder who is or was a Manager without such Person's approval.

16.3 Exculpation. Neither the Managers nor any officer of the Company (each a "**Responsible Party**"), shall be liable, responsible or accountable in damages or otherwise to the Company or any Members for any action taken or failure to act (even if such action or failure to act constituted the gross negligence of such Responsible Party) on behalf of the Company within the scope of the authority conferred on or permitted to any such Responsible Party by this Agreement or by law, unless such act or omission was performed or omitted fraudulently, with gross negligence or as an act of willful misconduct. The provisions of this Agreement, to the extent that they expand, restrict or eliminate the duties and liabilities of any Responsible Party otherwise existing at law or in equity, are agreed by the Members to expand, restrict or eliminate to that extent such other duties and liabilities of such Responsible Party to the fullest extent permitted by applicable law. A Responsible Party will not be liable to the Company or any Members for breach of contract or breach of duties (including fiduciary duties) of such Responsible Party, except that nothing herein will limit or eliminate any liability for any act or omission that constitutes a bad faith violation of the implied contractual covenant of good faith and fair dealing. However, in no event will any Responsible Party be liable to the Company or any other Members for any breach of fiduciary duty or implied contractual covenant of good faith and fair dealing, to the extent arising hereunder, for such Responsible Party's good faith reliance on the provisions of this Agreement.

16.4 Indemnification. The Company shall indemnify and hold harmless to the fullest extent permitted by law each Responsible Party from and against any loss, expense, damage or injury suffered or sustained by it by reason of any acts, omissions or alleged acts or omissions (even if such acts or omissions

constituted the gross negligence of such Responsible Party) arising out of its activities on behalf of the Company or in furtherance of the interests of the Company, including, but not limited to, any judgment, award, settlement, attorney's fees and other costs or expenses incurred in connection with the defense of any actual or threatened action, proceeding or claim, if the acts, omissions or alleged acts or omissions upon which such actual or threatened action, proceeding or claim is based were for a purpose reasonably believed by the Responsible Party to be in, or not opposed to, the interests of the Company and were not performed or omitted fraudulently, with gross negligence or as an act of willful misconduct, and were not in violation of the express terms of this Agreement. In no event will any Member be required to make any contribution to the Company that may be necessary for the Company to satisfy its indemnity obligation hereunder. No amendment of this Section shall be binding on any Person or change the rights of such Person hereunder who is or was a Manager without such Person's approval.

16.5 Return of Capital Contribution. Anything in this Agreement to the contrary notwithstanding, no Manager shall be individually liable for the return of the Capital Contributions of the Members, or any portion thereof, it being expressly understood that any such return shall be made solely from Company assets.

XVII. MISCELLANEOUS

17.1 Notices. Except as otherwise provided in this Agreement, any notice, payment, demand, request or communication required or permitted to be given by any provision of this Agreement shall be in writing and shall be duly given by the applicable party if given to the applicable party at its address set forth below:

(a) If to the Company:

Western Connecticut Orthopedic Surgical Center, LLC
226 White Street
Danbury, CT 06810
Attention: Board of Managers

or to such other address as the Board of Managers may from time to time specify by written notice to the Members; and

(b) If to a Member, at such Member's address set forth in the Company records, or to such other address as such Member may from time to time specify by written notice to the Board of Managers.

(c) Any such notice shall, for all purposes, be deemed to be given and received:

(i) if by hand, when delivered;

(ii) if given by nationally recognized and reputable overnight delivery service, the business day on which the notice is actually received by the party; or

(iii) if given by certified mail, return receipt requested, postage prepaid, three business days after posted with the United States Postal Service.

17.2 Section Captions. Section and other captions contained in this Agreement are for reference purposes only and are in no way intended to describe, interpret, define or limit the scope, extent or intent of this Agreement or any provision hereof.

17.3 Severability. Every provision of this Agreement is intended to be severable. If any term or provision of this Agreement is illegal or invalid for any reason whatsoever, such illegality or invalidity shall not affect the validity of the remainder of this Agreement.

17.4 Right to Rely Upon the Authority of the Board of Managers. No person dealing with the Board of Managers shall be required to determine its authority to make any commitment or undertaking on behalf of the Company, nor to determine any fact or circumstance bearing upon the existence of its authority. In addition, no purchaser of any property of the Company shall be required to determine the sole and exclusive authority of the Board of Managers to sign and deliver on behalf of the Company any instrument of transfer, or to see to the application or distribution of revenues or proceeds paid or credited in connection therewith, unless such purchasers shall have received written notice from the Company affecting the same.

17.5 Governing Law. The laws of the State of Connecticut shall govern the validity of this Agreement, the construction of its terms and the interpretation of the rights and duties of the parties hereto, without giving effect to any conflicts-of-laws provisions.

17.6 Waiver of Action for Partition. Each Member irrevocably waives during the term of the Company and during the period of its liquidation following any dissolution, any right to maintain any action for partition with respect to any of the assets of the Company.

17.7 Counterpart Execution. This Agreement may be executed in one or more counterparts all of which together shall constitute one and the same Agreement. Electronically delivered signature pages shall be treated as originals.

17.8 Parties in Interest. Except as otherwise provided in this Agreement, this Agreement shall be binding upon the parties hereto and their successors, heirs, devisees, assigns, legal representatives, executors and administrators.

17.9 Construction of Pronouns. The feminine or neuter of the words "he," "his" and "him" used herein shall be automatically deemed to have been substituted for such words where appropriate to the particular Member executing this Agreement.

17.10 Integrated Agreement. This Agreement and the agreements referred to herein constitute the entire understanding and agreement among the parties hereto with respect to the subject matter hereof, and there are no agreements, understandings, restrictions, representations or warranties among the parties other than those set forth herein or herein provided for.

17.11 Force Majeure. If any of the parties hereto is delayed or prevented from fulfilling any of its obligations under this Agreement by Force majeure, said party shall not be liable under this Agreement for said delay or failure. "**Force majeure**" shall mean any cause beyond the reasonable control of a party, including, but not limited to, act of God, act or omission of civil or military authorities of a state or nation, fire, strike, flood, riot, war, delay of transportation or any other act or omission beyond the reasonable control of a party.

17.12 Schedules and Exhibits. Each Schedule and Exhibit to this Agreement is incorporated herein for all purposes.

17.13 Benefit/Assignment. Subject to provisions herein to the contrary, this Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective legal representatives, successors and assigns; provided, however, that nothing contained herein shall negate or diminish the

restrictions on transfer set forth in this Agreement. This Agreement is intended solely for the benefit of the parties hereto and is not intended to, and shall not, create any enforceable third party beneficiary rights.

17.14 Waiver. Failure by any party to enforce any of the provisions hereof for any length of time shall not be deemed a waiver of its rights set forth in this Agreement. Such a waiver may be made only by an instrument in writing signed by the party sought to be charged with the waiver. No waiver of any condition or covenant of this Agreement shall be deemed to imply or constitute a further waiver of the same or any other condition or covenant, and nothing contained in this Agreement shall be construed to be a waiver on the part of the parties of any right or remedy at law or in equity or otherwise.

17.15 Business Day. Should any due date hereunder fall on a Saturday, Sunday or legal holiday, then such due date shall be deemed timely if given on the first business day following such Saturday, Sunday or legal holiday.

17.16 Waiver of Jury Trial. EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHTS IT MAY HAVE TO DEMAND THAT ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR IN ANY WAY RELATED TO THIS AGREEMENT OR THE RELATIONSHIPS OF THE PARTIES HERETO BE TRIED BY JURY. THIS WAIVER EXTENDS TO ANY AND ALL RIGHTS TO DEMAND A TRIAL BY JURY ARISING FROM ANY SOURCE INCLUDING, BUT NOT LIMITED TO, THE CONSTITUTION OF THE UNITED STATES OR ANY STATE THEREIN, COMMON LAW OR ANY APPLICABLE STATUTE OR REGULATIONS. EACH PARTY HERETO ACKNOWLEDGES THAT IT IS KNOWINGLY AND VOLUNTARILY WAIVING ITS RIGHT TO DEMAND TRIAL BY JURY.

17.17 Language Construction. The language in all parts of this Agreement shall be construed, in all cases, according to its fair meaning, and not for or against any party hereto. The parties acknowledge that each party and its counsel have reviewed and revised this Agreement and that the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement.

[Signatures appear on following pages.]

IN WITNESS WHEREOF, this Second Amended and Restated Operating Agreement has been executed as of the date first above written.

SCA MEMBER:

SCA-WESTERN CONNECTICUT, LLC

By: _____
Name: Richard L. Sharff, Jr.
Title: Vice President

_____
Michael Brand, M.D.

_____
Angelo Ciminiello, M.D.

_____
Robert Deveney, M.D.

_____
Joseph DiGiovanni, M.D.

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Ross Henshaw, M.D.

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John Lunt, M.D.

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John Dunleavy, M.D.

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Frank Hermantin, M.D.

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Randolph Sealey, M.D.

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Robert Yaghoubian, M.D.

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John Mullen, M.D.

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Philip Mulieri, M.D., Ph.D.

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Randolph Sealey, M.D.

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Robert Yaghoubian, M.D.

_____
John Mullen, M.D.

_____
Philip Mulieri, M.D., Ph.D.

David Bomback, M.D.

David Kramer, M.D.

[Signature Pages to Second Amended & Restated Operating Agreement]

Schedule A

WESTERN CONNECTUCT ORTHOPEDIC SURGICAL CENTER, LLC

SCHEDULE OF MEMBERS

MEMBER	UNITS OWNED	PERCENTAGE OF OWNERSHIP INTEREST
Michael G. Brand, M.D.	3.92 Units	3.92%
Angelo M. Ciminiello, M.D.	3.92 Units	3.92%
Robert T. Deveney, M.D.	3.92 Units	3.92%
Joseph DiGiovanni, M.D.	3.92 Units	3.92%
D. Ross Henshaw, M.D.	3.92 Units	3.92%
John G. Lunt, M.D.	3.92 Units	3.92%
John P. Dunleavy, M.D.	2.89 Units	2.89%
Frank U. Hermantain, M.D.	2.89 Units	2.89%
Randolph Sealey, Jr., M.D.	2.89 Units	2.89%
Robert Yaghoubian, M.D.	1.44 Units	1.44%
John Mullen, M.D.	1.44 Units	1.44%
Phillip Mulieri, M.D.	2.12 Units	2.12%
David Bomback, M.D.	1.41 Units	1.41%
David Kramer, M.D.	1.41 Units	1.41%
SCA-Western Connecticut, LLC	60.00 Units	60.00%
TOTAL	100 Units	100%

Schedule B

Grandfathered Arrangements

None.

Management Agreement

EXECUTION VERSION

MANAGEMENT AGREEMENT

WESTERN CONNECTICUT ORTHOPEDIC SURGICAL CENTER, LLC

THIS MANAGEMENT AGREEMENT (this "**Agreement**") is made and entered into as of May 1, 2017 (the "**Effective Date**"), by and between **SURGICAL CARE AFFILIATES, LLC**, a Delaware limited liability company (the "**Manager**"), and **WESTERN CONNECTICUT ORTHOPEDIC SURGICAL CENTER, LLC**, a Connecticut limited liability company (the "**Owner**").

RECITALS:

WHEREAS, the Owner owns and operates an ambulatory surgery center located at 226 White Street, Danbury, Connecticut known as "Western Connecticut Orthopedic Surgical Center" (the "**Center**"); and

WHEREAS, the Owner and the Manager each desire that the Owner engage the Manager to assist with the management of the Center and to provide certain non-medical services to the Center, pursuant to the terms of this Agreement.

NOW, THEREFORE, in consideration of the foregoing premises, which are hereby incorporated into this Agreement as an integral part hereof and not as mere recitals hereto, and of the promises and mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereby agree as follows:

I. SCOPE OF ENGAGEMENT

1.1 Provision of Services. The Owner hereby retains the Manager for the purpose of rendering management, administration, purchasing services and support as described and set forth on Exhibit A hereto (the "**Management Services**") and the cash management services as described and set forth in Article II hereto (the "**Cash Management Services**" and, collectively with the Management Services, the "**Services**"), subject to the goals, policies, objectives and directives established by the Owner, all of which shall be consistent with applicable state and federal law, as well as the requirements of any applicable accrediting bodies. The Manager shall be responsible for providing only the Services described herein and set forth on Exhibit A. The Manager shall not be responsible for the provision of any other items or services; provided that if the Owner requests any additional items or services, and the Manager agrees to provide such items or services, the Owner shall pay the Manager a fair market value fee for such items or services, such fee to be determined by the Manager in good faith.

1.2 Standard of Performance. The Manager shall perform all Services for the account of and as agent of the Owner. The Manager shall perform the Services using commercially reasonable best efforts. The Manager's provision of the Services shall be subject to the control of the Owner, which shall have final authority in all matters relating to the Center's operations.

1.3 Exclusive Authority; Right to Subcontract. The Manager shall have the exclusive right and authority to perform all of the Services described herein. The Owner shall not perform, or contract with any person or entity other than the Manager to perform, any of the Services, or any services similar to the Services, on its behalf. The Manager shall have the right to subcontract with any other persons or entities, including any affiliate of the Manager, for the provision of any of the Services; provided, however, that the Manager shall remain obligated to the Owner under this Agreement for any such subcontracted Services. Any third-party costs of additional services (i.e., those services outside of the Manager's

obligations under this Agreement) requested by the Owner to be provided shall be billed without mark-up and paid by the Owner.

1.4 Authority. The Manager shall have the right to act as the agent of the Owner and/or the Center in the procuring of licenses, permits and other approvals, the payment and collection of accounts and in all other activities necessary, appropriate or useful to the Manager in the carrying out of its duties as specified under this Agreement. The Manager shall have the further authority, without approval of the Owner, to enter into any third-party contract on behalf of the Owner the expense of which is either (i) included in the Owner's budget; or (ii) not more than $50,000.00, subject to the approval requirements set forth in the Owner's Operating Agreement. The Manager shall be authorized to make withdrawals from the Owner's operating account to pay all costs and expenses incurred in the operation of the Center, including payment of the Management Fees (so long as such fees are not under dispute by Owner), and to fulfill all other terms of this Agreement.

1.5 Power of Attorney. The Owner hereby appoints the Manager and any subcontractor designated by the Manager, as its attorney-in-fact for the limited purpose of performing the functions described in this Agreement, including, without limitation, the authority to (a) take all steps necessary and appropriate to supervise and oversee the submission, processing and collection of all claims for payment from patients and third-party payors, including the Medicare and Medicaid programs, for professional services rendered by the Owner; (b) endorse all checks made payable to the Owner in connection with the professional services rendered by the Owner; (c) supervise and oversee the remittance of any collections from patients and third-party payors, including the Medicare and Medicaid programs; and (d) participate in any proceeding before any governmental agency arising out of the operation of the Center.

1.6 Legal Compliance; Licensing. The Owner, with the assistance of the Manager, shall comply with any and all federal, state and local statutes, regulations, rules, orders or other requirements that the Owner is responsible for undertaking which affect the Center and/or its operations. The Owner, with the assistance of the Manager, shall obtain and maintain all licenses and accreditations as are necessary for the provision of medical and health care services and the operation of an ambulatory surgery center.

1.7 Retained Authority. Nothing in this Agreement is intended to delegate to the Manager any of the powers, duties or responsibilities vested exclusively in the Owner by law.

II. CASH MANAGEMENT SERVICES

2.1 Cash Management Service. The Manager shall maintain one or more accounts (each an "**SCA Account**", and collectively, the "**SCA Accounts**") at a bank or other financial institution (the "**Depository Institution**"). The Owner shall maintain an account at a bank or other financial institution (the "**Company Account**") into which the Owner shall deposit its funds (the "**Company Funds**") pursuant to this Article II. The Manager shall transfer the Company Funds from the Company Account to one or more SCA Accounts each day other than a Saturday, Sunday, or other holiday of the Depository Institution (each a "**Business Day**"), or at such other regular intervals as may be determined from time to time by the Manager (each, a "**Transfer**", and collectively, the "**Transfers**"). The Owner hereby authorizes the Manager to transfer all of the Company Funds to one or more SCA Accounts each Business Day or at such other regular intervals as may be determined from time to time by the Manager. The Manager will use the Company Funds to make disbursements on the Owner's behalf in its capacity as Manager (the "**Disbursements**"). The services provided by Manager pursuant to this Article II are collectively referred to as the "**Cash Management Service**."

2.2 Duty of Care. The Owner acknowledges that the Company Funds may be commingled with other funds deposited in the SCA Accounts by the Manager (the "**SCA Account Funds**") and may be

transferred among SCA Accounts or other accounts or investments of the Manager. Notwithstanding the foregoing, the Manager shall treat the Company Funds, including any such funds so commingled, with the same degree of ordinary care that it exercises over its own account funds, and shall maintain records of all Transfers made from the Company Account to one or more SCA Accounts and all Disbursements made from each SCA Account on the Owner's behalf, such that the Manager can readily track and account for the Company Funds. Manager shall provide to the Owner, upon reasonable request, a data sheet that details all such deposits and transfers of the Company Funds. Subject to the Owner's right to review and audit, and in the absence of manifest error or fraud, the books and records of the Manager shall be final and definitive with respect to the amounts of such Transfers, Disbursements and the balance of the Company Funds remaining after payment of the Advances pursuant to this Article II (the "**Company Fund Balance**"). The Owner agrees to comply with the terms of this Article II and any related Manager or Depository Institution procedures governing the Cash Management Service, including, without limitation, the Transfers.

2.3 Company Account Deposits. The Owner shall deposit its cash receipts, checks and other items, and any other available cash of Owner each Business Day to the Company Account. The Owner acknowledges that the availability of the Company Funds and the balance of the Company Account is subject to the Depository Institution's funds availability policies and deposit account agreements (the "**Depository Institution Account Agreements**") and may be subject to set-off or charge back, such as for returned items.

2.4 Transfers. The Owner agrees that Transfers may be initiated by the Manager or Depository Institution and may be made via zero balance account ("**ZBA**") arrangement, automated clearing house ("**ACH**") transfer, or such other method of transfer or sweep as the Manager may determine from time to time. The Owner agrees to sign such authorizations and follow such procedures that may be required by the Manager or Depository Institution from time to time to facilitate Transfers.

2.5 Authorization to Conduct Banking Activities. The Owner hereby authorizes the Manager to conduct banking activities (the "**Banking Activities**") on behalf of the Owner in accordance with the normal and customary processes utilized by the Manager in the ordinary course of the Owner's business. Such Banking Activities include opening and closing bank accounts in the name of the Owner and contracting for banking services, including merchant services and the withdrawal of funds by check or electronic means. The Owner shall take such actions and institute such procedures as the Manager from time to time may reasonably request to enable the Manager to conduct such banking activities on behalf of the Owner, and to enable the Owner to participate in the Cash Management Service to the same extent as though Owner were a wholly-owned subsidiary of the Manager. Such actions may include adopting such resolutions as may be requested from time to time by the Manager to authorize the Manager to conduct the Banking Activities.

2.6 Application of Funds. Upon the closing of the financial books of the Owner each month, the Manager agrees to apply the Company Funds to balances owed to the Manager by the Owner for payment of operating expenses of the Owner, including the Disbursements and the payment of any Management Fee owed to the Manager pursuant to this Agreement and any other fees or expenses related to the operation and maintenance of the Cash Management Services or the SCA Accounts that are properly allocable to the Owner (the operating expenses, Disbursements, Management Fee and other banking fees, collectively, the "**Advances**"). In the event that the Owner disputes any amounts due under this Agreement in accordance with the terms of the Agreement, no Company Funds shall be applied to satisfy such claimed amounts until such dispute has been resolved by the Owner and the Manager, or if the Owner and the Manager cannot resolve such dispute, as determined by a final, non-appealable and binding ruling of a court or (if applicable) arbitrator.

2.7 Overdraft Line of Credit. In connection with the Cash Management Services, the Manager may, upon approval of Supermajority of the Board of Manager of the Owner (as defined in the Operating Agreement of the Owner) and on the terms and conditions hereinafter set forth, provide the Owner with an interest-bearing line of credit for working capital requirements up to a maximum borrowing line established by the Manager from time to time (the "Overdraft Line of Credit").

a. Manner of Borrowing. Loans under the Overdraft Line of Credit shall be made in the sole discretion of the Manager by means of the Manager's payment of the Advances of the Owner in excess of the Company Funds Balance.

b. Method of Payment. Payments to the Manager of outstanding amounts under the Overdraft Line of Credit shall be made (a) upon the closing of the financial books each month to the extent of the positive Company Fund Balance; provided, however, that all outstanding amounts under Overdraft Line of Credit shall be immediately due and payable upon the termination of this Agreement or (b) within thirty (30) days of a written demand for such payment delivered to the Owner.

c. Security. To secure payment and performance of any and all obligations of the Owner to the Manager under the Overdraft Line of Credit and any costs and expenses incurred by the Manager to enforce the security interest granted herein, the Owner hereby grants to the Manager a continuing security interest in and lien upon all of Owner's rights, title and interest in, to and in (a) the Company Account, (b) the Company Funds, (c) accounts, including contract rights, (d) general intangibles, and (e) all cash and non-cash proceeds and products thereof (collectively, the "Collateral"). Owner authorizes the filing of one or more financing statements covering the Collateral in form satisfactory to the Manager, and without Owner's signature where authorized by law. The Owner agrees to take such other actions, at the Owner's expense, as might be requested for the perfection, continuation and assignment, in whole or in part, of the security interests granted herein and to assure and preserve the Manager's intended priority position. Notwithstanding the foregoing, the Manager's security interest in the Collateral granted hereunder shall at all times be subordinate to the interest of any senior lender of the Owner.

d. Events of Default. If any of the following events shall occur, then, and in any such event, the Manager may, by notice to the Owner, declare the Overdraft Line of Credit and all interest thereon to be forthwith due and payable and may, without notice to the Company, terminate immediately the Overdraft Line of Credit:

i. The Owner should fail to pay the principal of, or interest on, any borrowings under the Overdraft Line of Credit within ten (10) days of the receipt of notice of such requested payment; or provided that an Event of Default shall not occur in such failure to pay outstanding amounts by the Owner are due to the actions or omission of the Manager or its affiliates; or

ii. Any representation or warranty made or deemed made by the Owner in this Agreement shall prove to have been incorrect in any material respect on or as of the date made or deemed made; or

iii. The Owner shall fail to perform or observe any term, covenant or agreement contained in this Agreement, or the Owner's governing documents (e.g. partnership agreement, operating agreement, etc.) on its part to be performed or observed, which failure shall continue for more than thirty (30) days; or

iv. The Owner (1) shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as such debts become due; or (2) shall make an assignment for the benefit of creditors, petition or apply to any tribunal for the appointment of a custodian, receiver, or trustee for it or a substantial part of its assets; or (3) shall commence any proceeding under any bankruptcy, reorganization, arrangements, readjustment of debt, dissolution or liquidation law or statute of any jurisdiction, whether now or hereafter in effect; or (4) shall have any such petition or application filed or any such proceeding commenced against it in which an order for relief is entered or adjudication or appointment is made; or (5) by an act or omission shall indicate its consent to, approval of, or acquiescence in any such petition, application, or proceeding, or order for relief, or the appointment of a custodian, receiver or trustee for all or any substantial part of its properties; or (6) shall suffer any such custodianship, receivership, or trusteeship; or

v. One or more judgments, decrees or orders for the payment of money in excess of Twenty-Five Thousand Dollars ($25,000.00) in the aggregate shall be rendered against the Owner and such judgments, decrees, or orders shall continue unsatisfied and in effect for a period of sixty (60) consecutive days without being vacated, discharged, satisfied or stayed or bonded pending appeal; or

vi. This Agreement expires or is terminated; or

vii. Any party hereto shall have given the other party notice of its intention to terminate this Agreement.

2.8 Interest. Upon the closing of the financial books of the Owner each month ("Closing Month") the Manager shall determine the average Company Fund Balance for the month prior to the Closing Month ("Average Monthly Company Fund Balance"). In the event the Average Monthly Company Fund Balance is a positive number, then the Owner will receive interest income on such positive amount at the average monthly interest rate of the primary SCA Account into which Company Funds are transferred. If the Average Monthly Company Fund Balance is a negative number as a result of borrowings under the Overdraft Line of Credit or otherwise, the Company will be charged interest at a variable rate equal to the prime lending rate plus one percent (1.0%), as announced by a bank or other financial institution selected by the Manager from time to time.

III. TERM

3.1 Term. The term of this Agreement shall commence as of the Effective Date and shall continue in full force and effect for an initial term of five (5) years (the "**Initial Term**"). At the end of the Initial Term, this Agreement shall automatically renew for successive five (5) year terms (each a "**Renewal Term**" and together with the Initial Term, the "**Term**"). Either party shall have the right to terminate this Agreement at any time that the Manager or its affiliates ceases to own any equity interest in the Owner.

3.2 Termination Upon Default. Notwithstanding the provisions in the foregoing paragraphs, upon ninety (90) days' prior written notice, or ten (10) days' prior written notice upon a payment default, either party (the "**Terminating Party**") shall have the right to terminate this Agreement upon a material breach of this Agreement by the other party (the "**Breaching Party**"). In the event termination is for an alleged material breach other than a payment default, such notice shall describe in detail the basis upon which the Terminating Party believes such termination is justified. Upon receipt of such notice, the Breaching Party shall have ninety (90) days, or ten (10) days with respect to a payment default, during

which to attempt to cure such alleged breach under this Agreement, and upon such cure being effected, the Terminating Party's rights to terminate shall cease and this Agreement will continue in full force and effect; provided, however, that the Breaching Party shall only be entitled to cure two (2) payment defaults in any one (1) calendar year; provided, further, that in the event a Breaching Party has a third payment default in any one (1) calendar year, the Terminating Party shall be entitled to terminate this Agreement immediately upon written notice to the Breaching Party. Furthermore, if the Breaching Party has diligently attempted to effect such a cure of a breach, other than a payment default, within such ninety (90) day period but cannot complete such cure because of the failure of a third party (such as a governmental agency) to act within such period, then the Breaching Party shall have a reasonable time beyond such ninety (90) day period to complete its cure of the alleged breach, but no more than one hundred eighty (180) days.

3.3 Termination Upon Bankruptcy. Either party may terminate this Agreement immediately, upon written notice to the other party, (i) if the other party appoints or consents to the appointment of a receiver, trustee or liquidator of such party or of all or a substantial part of its assets, files a voluntary petition in bankruptcy, makes a general assignment for the benefit of creditors, files a petition or an answer seeking reorganization or arrangements with creditors or to take advantage of any insolvency law, or (ii) if an order, judgment or decree shall be entered by any court of competent jurisdiction, on the application of a creditor, adjudicating such party bankrupt or insolvent, and such order, judgment or decree shall continue unstayed and in effect for any period of ninety (90) days.

3.4 Payment Upon Termination. Upon termination of this Agreement, the Owner shall owe the Manager the full uncontested amount of any fees owing and/or earned or accrued pursuant to the terms hereof, up through and including the date of termination, including all outstanding principal and interest of the Overdraft Line of Credit as set forth in Article II, and any sums of money owed by the Owner to the Manager, including expenses reimbursable hereunder, shall be paid within thirty (30) days following the date of termination. The Manager shall owe and pay immediately to the Owner the amount of the Company Fund Balance, if any, under Article II. Upon termination hereof, the Manager's obligations to perform services hereunder shall cease completely; provided, however, that the Owner and the Manager shall perform such matters as are reasonably necessary, and requested in good faith by either party, to wind up their activities under this Agreement.

3.5 Suspension of Services. Notwithstanding the foregoing, the Manager shall have the right to suspend the provision of services under this Agreement in the event that the Owner fails to pay any of the compensation, fees or costs payable or reimbursable pursuant to Article IV as and when due and such suspension of service shall not be a default by the Manager.

IV. FEE FOR SERVICES

4.1 Reimbursement of Expenses. The Owner shall reimburse the Manager for amounts paid by the Manager during the Term of this Agreement to vendors on behalf of Owner for supplies and equipment, tax return preparation, insurance premiums paid by the Manager for the coverages described in Article VIII hereof, legal fees incurred on behalf of Owner, staffing expenses in accordance with Article V, other services if indicated on Exhibit A as not included in the Management Fee and reasonable out-of-pocket expenses incurred by the Manager in connection with travel, lodging and meals of Manager personnel who make on-site visits to the Center; provided that, (a) such expenses are either included in the operating budget of the Owner or pre-approved by the Owner in accordance with the provisions of the Owner's Operating Agreement; (b) Manager shall submit receipts to the Center evidencing such expenses upon request; and (c) such expenses shall not exceed $15,000.00 annually. Except for costs associated with the Employees, such costs shall not include an allocation of Manager's management team salaries, benefits or its central business office overhead. If the Owner requests that the Manager provide services to the

Owner or for the Center which are not described on Exhibit A, the Manager may charge a reasonable additional fee for such services.

4.2 Fees. The Owner shall pay the Manager for rendering the Management Services and the Cash Management Services a fee equal to three percent (3%) of the Center's annual Net Revenue (as defined below), plus reimbursement of direct expenses incurred by Manager on behalf of the Center (the "**Management Fee**"). "**Net Revenue**" shall mean total patient revenues and other operating revenue (including the proceeds of claims under business interruption insurance policies) minus contractual allowances, provision for bad debt, charity care, condemnation awards, proceeds of claims under casualty insurance policies, proceeds from a sale or debt refinancing, and other capital transactions outside the ordinary course of business, each as determined pursuant to generally accepted accounting principles ("**GAAP**"), as consistently applied by the Manager, on an accrual basis of accounting. Notwithstanding anything herein to the contrary, the Management Fee shall not exceed Three Hundred Thousand Dollars ($300,000.00) per year (the "**Maximum Annual Amount**"), prorated for partial years; provided, however, that the Maximum Annual Amount shall be increased by one and one-half percent (1.5%) on each anniversary of the Effective Date of the Agreement.

4.3 Terms of Payment. The Owner shall pay the Manager the Management Fee and any expenses reimbursable hereunder monthly no later than the thirtieth (30th) day of the month following the month in which the Management Fee was earned or the applicable expense was incurred. All amounts payable to the Manager pursuant to this Agreement that are not paid on or before the date such payments are due shall bear interest of six percent (6%) per year, unless waived by the Manager.

V. STAFFING

5.1 Authority over Employees. During the Term of this Agreement, the Manager shall make available to the Owner the services of all employees reasonably necessary to staff and operate the Center. The parties acknowledge and agree, however, that as of the date of this Agreement, all employees at the Center (the "**Existing Employees**") are employed by Western Connecticut Orthopedic Specialists, P.C. ("**Employer**"). Owner will cause Employer to transition the Existing Employees to become employees of the Manager on or about June 1, 2017, and in accordance with the terms set forth in the Membership Interest Purchase Agreement by and among the Manager, SCA-Western Connecticut, LLC, the Owner, the members of the Owner, and Merritt Healthcare Holdings, LLC, dated as of May 1, 2017 (the "**Purchase Agreement**"). Any Existing Employee who declines an offer of employment from the Manager (which offer is consistent with the provisions of the Purchase Agreement) shall cease to provide services at the Center, unless otherwise agreed to by the Owner and the Manager. The Manager shall employ any new employees assigned to the Center on or after the commencement of this Agreement, except as otherwise agreed by the Owner and the Manager (any such new employees and the Existing Employees are referred to herein collectively as the "**Employees**"). Subject to Section 5.3 below, the Manager shall have the right to terminate the employment of an Employee and to hire such additional individuals as Employees as the Manager determines is reasonably necessary from time to time. Furthermore, the Manager shall have the right to control and direct the Employees as to the performance of duties and as to the means by which such duties are performed.

5.2 Payment for Employees. The Owner shall promptly fund or, as appropriate, reimburse the Manager for all expenses incurred by the Manager, determined in accordance with GAAP with respect to the Employees. Such expenses shall include, but are not limited to, compensation, amounts required to provide employee benefits, federal and state taxes on wages, unemployment compensation premiums and workers' compensation premiums, each as determined in accordance with GAAP. Manager may also obtain, at Owner's expense, commercially reasonable employment practices liability coverage with respect to the Employees.

5.3 Approval of Employees. Upon reasonable grounds, and after giving the Manager appropriate notice and an opportunity to discipline an Employee, the Owner may require the Manager to immediately cause any Employee to no longer provide services at the Center, whereupon, the Manager shall cause such Employee to cease to provide service at the Center; provided, however, that the Manager shall not be required to remove any Employee from providing services at the Center as described herein if, in the Manager's reasonable judgement, and in consultation with the Manager's legal advisors, the Manager believes that removing such Employee would violate applicable law.

VI. INDEPENDENT CONTRACTOR STATUS

Notwithstanding any provision contained herein to the contrary, each of the Owner and the Manager understand and agree that the parties hereto intend to act and perform as independent contractors and that, therefore, neither the Owner nor the Manager is an employee, partner, joint venturer, or, except as explicitly provided for herein, agent of the other.

VII. OWNERSHIP OF INTELLECTUAL PROPERTY; ACCESS TO INFORMATION

7.1 Intellectual Property. During the Term of this Agreement, the Owner and its employees and agents will have access to and become acquainted with confidential information, intellectual property and trade secrets of the Manager, including, without limitation, information and data relating to payor contracts and accounts, clients, billing practices and procedures, business analytics, techniques and methods, strategic plans, operations and related data, program and scheduling systems, manuals, computer software and other information, in whatever form, provided by the Manager in the performance of its obligations hereunder ("**Manager Intellectual Property**"), and the Manager and its employees and agents may have access to proprietary information and intellectual property developed by or for the Owner ("**Owner Intellectual Property**") (Manager Intellectual Property and Owner Intellectual Property may be referred to collectively herein as "**Intellectual Property**"). All Intellectual Property is the property of its original owner and shall be proprietary information protected under the Uniform Trade Secrets Act and other applicable state and federal law. Neither the Manager nor the Owner shall disclose, and each shall cause their respective affiliates, employees, contractors, and any other agents not to disclose to any person or entity, directly or indirectly, either during the Term of this Agreement or at any time thereafter, any Intellectual Property, or use any Intellectual Property other than in the course of meeting such party's obligations under this Agreement. Notwithstanding the foregoing, the Manager shall have the right to use any technical or business expertise obtained during the course of its engagement hereunder in connection with its management of any other facility.

7.2 Social Security Act. To the extent required by Section 1861(v)(1)(i) of the Social Security Act, each party shall, upon proper request, allow the United States Department of Health and Human Services, the Comptroller General of the United States, and their duly authorized representatives access to this Agreement and to all books, documents, and records necessary to verify the nature and extent of costs and services provided by either party under this Agreement, at any time during the Term of this Agreement and for an additional period of four (4) years after the last date services are furnished under this Agreement. If either party carries out any of its duties under this Agreement through a permitted subcontract or similar permitted agreement between it and an individual or organization related to it, that party shall require that a clause be included in such agreement to the effect that until the expiration of four (4) years after the furnishing of services pursuant to such agreement, and to the extent required by Section 1861(v)(1)(i) of the Social Security Act, the related organization will make available, upon written request of the Secretary of Health and Human Services or the Comptroller General of the United States, or any other duly authorized representatives, all agreements, books, documents and records of said related organization that are necessary to verify the nature and extent of the costs of services provided by that agreement.

7.3 Access to Information. Subject to the confidentiality provisions herein, each party shall have access to all applicable records and information, including, but not limited to, documents prepared in connection with the performance of procedures at the Center hereunder ("**Records**"), in order to perform any necessary billing, to conduct utilization review or quality assurance activities, or to prepare the defense of a lawsuit in which those Records may be relevant. Subject to the confidentiality provisions herein, the Manager and its employees and agents, as applicable to their respective duties, will be given reasonable access to the Center and their records, offices and facilities, in order that the Manager and its employees may carry out their obligations hereunder. Notwithstanding anything herein to the contrary, all Records prepared in connection with the care and services rendered to patients at the Center shall be and remain the property of the Owner and shall be treated as confidential pursuant to applicable federal and state law.

7.4 Privilege. The parties agree that any applicable attorney-client, accountant-client or other legal privilege shall not be deemed waived by virtue of this Agreement.

VIII. INSURANCE AND INDEMNIFICATION

8.1 Required Coverages.

a. During the Term of this Agreement, the Manager shall obtain on behalf of the Owner, on commercially reasonable terms and conditions, all at the Owner's sole cost and expense, the following commercially reasonable insurance coverages:

i. Workers' compensation coverage with statutory limits and Employer's Liability coverage with minimum limits of $1,000,000 per accident for bodily injury by accident, $1,000,000 policy limit by disease, and $1,000,000 per employee for bodily injury by disease;

ii. Professional and comprehensive general liability insurance covering the Owner, the Manager, and the Employees (if necessary) in an amount at least equal to $1,000,000 per occurrence, $3,000,000 in the annual aggregate and upon commercially reasonable terms and conditions, and excess insurance above professional and comprehensive general liability insurance in an amount equal to at least $4,000,000 per occurrence and $4,000,000 in the annual aggregate; and

iii. Property and casualty insurance covering the Owner against loss of or physical damage to the Center and the tangible assets used in connection with the operation of the Center.

b. The Manager shall maintain comprehensive general liability insurance covering the Manager in an amount at least equal to $1,000,000 per occurrence and $3,000,000 in the annual aggregate and on commercially reasonable terms and conditions, all at the Manager's sole cost and expense, with a commercial carrier acceptable to both parties.

8.2 Indemnification by the Owner. The Owner hereby agrees to indemnify and hold the Manager, its affiliates and owners, and their respective officers, directors, agents, owners and affiliates (each a "**Manager Indemnified Party**") harmless from and against any and all claims, actions, liabilities, losses, costs and expenses of any nature whatsoever, including reasonable attorneys' fees and other costs of investigating and defending any such claim or action (a "**Loss**"), which may be asserted against any Manager Indemnified Party, in connection with (a) the operation of the Center and the Owner, other than with respect to any Loss incurred by reason of Manager's gross negligence or willful misconduct, and (b) the acts or omissions of the Owner, its medical staff, agents or employees, or the Employees, in each case

other than with respect to any Loss which was incurred by reason of Manager's gross negligence or willful misconduct. This Section 8.2 shall constitute the sole obligation of the Owner with respect to any Loss and any claims arising out of this Agreement and/or the relationship created hereby, whether such claim is based in contract, tort, fraud or otherwise.

8.3 Indemnification by the Manager. The Manager hereby agrees to indemnify and hold harmless the Owner, its affiliates and owners, and their respective officers, directors, employees agents, owners and affiliates (each an "**Owner Indemnified Party**") from and against any and all Losses which may be asserted against any Owner Indemnified Party as a result of the gross negligence or willful misconduct of the Manager in connection with the performance by the Manager of its duties hereunder. This Section 8.3 shall constitute the sole obligation of the Manager with respect to any Loss and any claims arising out of this Agreement, the services provided by the Manager and/or the relationship created hereby, whether such claim is based in contract, tort, fraud or otherwise. For the avoidance of doubt, this Section 8.3 shall not be the Owner's sole remedy for any Loss related to Manager's breach of this Agreement.

8.4 Acts of the Employees and Medical Staff. Any omission or action taken by (i) any employee of the Manager working primarily at the Center, or (ii) the Employees, shall not constitute action taken or omitted by or on behalf of the Manager for purposes of this Agreement, and the Owner Indemnified Parties shall not be entitled to seek indemnification for any Loss resulting from such act or omission. Notwithstanding the foregoing, any omission or action taken by any employee of the Manager that is outside the scope of employment and taken at the specific direction of the Manager shall constitute action taken or omitted by or on behalf of the Manager for purposes of this Agreement and the Owner Indemnified Parties shall be entitled to seek indemnification for any Loss resulting from such act or omission. Further, in no event shall the Manager be liable under this Agreement for any act of professional malpractice committed by any Medical Staff Physician (as hereinafter defined), or other member of a Center's medical staff.

IX. MEDICAL STAFF

The Owner shall admit physicians (the "**Medical Staff Physicians**") to the medical staff of the Center to render the surgical and other medical services at the Center, and the Owner shall be responsible for credentialing of all Medical Staff Physician applicants; provided, however, that the Manager shall provide administrative support in connection with such credentialing process, including the application process, scheduling of meetings of the appropriate committees of the medical staff, and communicating with the applicants.

X. HIPAA

The parties will enter into a Business Associate Agreement substantially in the form of Exhibit B hereto, with such changes and revisions as the parties agree.

XI. NOTICES

All notices, demands, requests and other communications or documents required or permitted to be provided under this Agreement shall be provided in writing and shall be given to the applicable party at its address set forth below or such other address as the party may later specify for that purpose by notice to the other party:

If to the Manager: Surgical Care Affiliates, LLC
569 Brookwood Village, Suite 901
Birmingham, AL 35209
Attention: General Counsel

If to the Owner: Western Connecticut Orthopedic Surgical Center
226 White Street
Danbury, CT 06810
Attention: Vice President

With a copy to: McGuireWoods LLP
201 North Tryon Street Suite 3000
Charlotte, NC 28202
Attention: Bart Walker

Each notice shall, for all purposes, be deemed given and received:

if by hand, when delivered;

if given by nationally recognized and reputable overnight delivery service, the Business Day on which the notice is actually received by the party; or

if given by certified mail, return receipt requested, postage prepaid, five (5) Business Days after posted with the United States Postal Service.

XII. MISCELLANEOUS

12.1. Authority. Each individual signing this Agreement warrants that such execution has been duly authorized by the party for which he is signing. The execution and performance of this Agreement by each party has been duly authorized by all applicable laws and regulations and all necessary corporate action, and this Agreement constitutes the valid and enforceable obligation of each party in accordance with its terms.

12.2 Agreement. This Agreement supersedes any and all prior agreements, either oral or written, between the parties with respect to the subject matter of this Agreement (including any term sheet or similar agreement or document relating to the transactions contemplated hereby). This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof, and no party shall be entitled to benefits other than those specified herein.

12.3 Governing Law. This Agreement shall be construed and enforced in accordance with the laws of the State of Connecticut without regard to its conflicts of law principles.

12.4 Interpretation. Wherever from the context it appears appropriate, each term stated in either the singular or the plural shall include the singular and the plural, and pronouns stated in the masculine, the feminine or the neuter gender shall include the masculine, feminine and neuter. The term "**person**" means any individual, corporation, partnership, trust or other entity. No provision of this Agreement shall be interpreted for or against either party hereto on the basis that such party drafted such provision, each party having participated equally in the drafting hereof, and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any of the provisions of this Agreement.

12.5 Headings. The headings used in this Agreement have been inserted for convenience and do not constitute provisions to be construed or interpreted in connection with this Agreement.

12.6 Counterparts. This Agreement may be executed in two (2) or more counterparts with the same effect as if all parties hereto had signed the same document. All counterparts shall be constructed

together and shall constitute one agreement. Electronically-transmitted signatures on this Agreement shall be deemed to be original signatures for all purposes. Signature pages transmitted electronically shall be treated as originals.

12.7 Amendments. This Agreement may be modified or amended only by a written instrument duly executed by each of the parties hereto.

12.8 Waiver. Failure by any party to enforce any of the provisions hereof for any length of time shall not be deemed a waiver of its rights set forth in this Agreement. Such a waiver may be made only by an instrument in writing signed by the party sought to be charged with the waiver. No waiver of any condition or covenant of this Agreement shall be deemed to imply or constitute a further waiver of the same or any other condition or covenant, and nothing contained in this Agreement shall be construed to be a waiver on the part of the parties of any right or remedy at law or in equity or otherwise.

12.9 Business Days. If any due date contained herein falls on a Saturday, Sunday or legal holiday, the due date shall be deemed to be the following Business Day.

12.10 WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHTS IT MAY HAVE TO DEMAND THAT ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR IN ANY WAY RELATED TO THIS AGREEMENT OR THE RELATIONSHIPS OF THE PARTIES HERETO BE TRIED BY JURY. THIS WAIVER EXTENDS TO ANY AND ALL RIGHTS TO DEMAND A TRIAL BY JURY ARISING FROM ANY SOURCE INCLUDING, BUT NOT LIMITED TO, THE CONSTITUTION OF THE UNITED STATES OR ANY STATE THEREIN, COMMON LAW OR ANY APPLICABLE STATUTE OR REGULATIONS. EACH PARTY HERETO ACKNOWLEDGES THAT IT IS KNOWINGLY AND VOLUNTARILY WAIVING ITS RIGHT TO DEMAND TRIAL BY JURY.

12.11 Severability. If any provision of this Agreement is held to be illegal, invalid or unenforceable under any present or future law, (a) such provisions will be fully severable, (b) this Agreement will be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part hereof, (c) the remaining provisions of this Agreement will remain in full force and effect and will not be affected by the illegal, invalid or unenforceable provision or by its severance herefrom; and (d) in lieu of such illegal, invalid or unenforceable provision, there will be added automatically as a part of this Agreement a legal, valid and enforceable provision as similar in terms to such illegal, invalid or unenforceable provision as may be possible.

12.12 Compliance with Laws. The parties agree to conduct their relationship in full compliance with all applicable state, federal and local laws and regulations, including, but not limited to, the federal Anti-Kickback Statute (42 U.S.C. § 1320a-7b(b)). The parties agree that no part of this Agreement shall be construed to induce or encourage the referral of patients or the purchase of health care services or supplies. The parties acknowledge that there is no requirement under this Agreement or any other agreement between the Manager or any affiliate thereof and the Owner that any party refer any patients to any health care provider or purchase any health care goods or services from any source. Additionally, no payment under this Agreement is in return for the referral of patients, if any, or in return for purchasing, leasing or ordering services from the Manager or any of its affiliates. The parties may refer patients to any company or person providing services and will make such referrals, if any, consistent with professional medical judgment and the needs and wishes of the relevant patients.

12.13 No Conflict of Interest. It is hereby acknowledged that the Manager and its affiliated companies are currently in the business of owning and operating ambulatory surgery centers and hospitals and other health facilities, and providing management services and related services to other entities apart

from the services that the Manager will provide to the Center under this Agreement. Nothing in this Agreement shall prohibit the Manager or any of its affiliated companies from owning ambulatory surgery centers or other health facilities or from providing such management services or related services or other activities.

12.14 Survival. Articles VII, VIII (except Section 8.1), XI and XII and the Owner's obligation to pay the Manager pursuant to Section 3.5 shall survive the termination of this Agreement.

12.15 Changes in Law. To the extent that changes in law or regulation or definitive changes in the construction of law or regulation articulated by an appropriate regulatory entity, court of law or a mutually acceptable opinion of counsel require the restructuring of the relationship between the parties established by this Agreement, the parties shall negotiate in good faith to amend this Agreement and otherwise restructure their relationship in order to effectuate their mutually agreed upon purposes

12.16 Force Majeure. If any of the parties hereto is delayed or prevented from fulfilling any of its obligations under this Agreement by "Force Majeure" (as defined below), said party shall not be liable under this Agreement for said delay or failure. "**Force majeure**" shall mean any cause beyond the reasonable control of a party, including, but not limited to, act of God, act or omission or civil or military authorities of a state or nation, fire, strike, flood, riot, war, delay of transportation or any other act or omission beyond the reasonable control of a party.

12.17 Assignment. The Manager may not assign this Agreement without the prior written consent of the Owner, except that such consent shall not be required for an assignment to any person or entity that is wholly owned, directly or indirectly, by the Manager, which shall not include unaffiliated third parties, including but not limited to hospitals, physician groups or surgery center management companies. The Owner may not assign this Agreement without the prior written consent of the Manager. The sale of (i) fifty percent (50%) or more of the assets or equity of the Owner during the term of this Agreement or (ii) any assets or equity of the Owner to a hospital, surgery center or any other provider (or affiliate of a provider) that provides outpatient surgical services (or to any physician who is an employee, owner, joint venture partner or provider of any administrative/ consulting/management services to such an entity) is deemed an assignment requiring the prior written consent of the Manager. All of the terms, provisions, covenants, conditions and obligations of this Agreement shall be binding on and inure to the benefit of the successors and assigns of the parties hereto.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties have executed this Management Agreement as of the Effective Date.

MANAGER:

SURGICAL CARE AFFILIATES, LLC

By: _____

Name: Richard L. Sharff, Jr.

Title: Executive Vice President

OWNER:

WESTERN CONNECTICUT ORTHOPEDIC SURGICAL CENTER, LLC

By: _____

Name: Joseph DiGiovanni, M.D.

Title: Manager

IN WITNESS WHEREOF, the parties have executed this Management Agreement as of the Effective Date.

MANAGER:

SURGICAL CARE AFFILIATES, LLC

By: _____
Name: Richard L. Sharff, Jr.
Title: Executive Vice President

OWNER:

WESTERN CONNECTICUT ORTHOPEDIC SURGICAL CENTER, LLC

By: _____
Name: Joseph DiGiovanni, M.D.
Title: Manager

[Signature Page to Management Agreement]

Exhibit A

MANAGEMENT SERVICES

NOTE: In addition to describing the services provided by the Manager in consideration of its Management Fee, this Exhibit A sets forth certain common services obtained by the Manager from third party vendors, with the expense of such vendor services being passed through by the Manager to the Owner (and Manager oversight of vendor included in Management Fee). This Exhibit also identifies certain services which are not covered by the Management Fee.

Service	Included in Management Fee	Not Included in Management Fee	Comments
Financial Services Support			
Bank Relations/Reconciliations	X		SCA to establish accounts at designated bank
Arranging for Equipment Financing	X		
Accounting	X		SCA to prepare monthly statements, excluding audit costs
Coordination and Administration of Tax Returns & K-1 Preparation		X	Tax preparation fee not included in Management Fee
General Tax Matters – Annual Reports/Property/Franchise		X	External fees passed through to Owner
Financial Benchmarking	X		Comparison with other SCA facilities
Budget Preparation	X		
Receive Charge Master File & Download into Owner System	X		
Governmental and Work Comp Payor Contracting	X		
Third Party Payor and State and Federal Agency Contracting	X		
Contractual Adjustment Analysis/ AR Review Potential Payer Liability	X		
Business Office Assessment & Training	X		
Deposit/dispense funds for Center's operating expenses	X		
Maintain books, journals, ledgers, check register, payroll records	X		
Establish receivables, credit, collection practices	X		
Process invoices / Accounts Payable	X		
Process payroll from timesheet summaries	X		
Establish and oversee billing procedures	X		

Service	Included in Management Fee	Not Included in Management Fee	Comments
FINANCIAL REPORTING – Monthly / Profit & Loss	X		
Accounting close cycle	X		
Risk Management/Insurance			
Insurance Program Oversight and Consultation	X		
Claim Coordination and Administration		X	Pass-through expense included in premium allocation.
Risk Management Education	X		As needed
IT Systems			
Help Desk: Tier 1 & 2		X	Included in pass through IT fee
Secure Email/Exchange		X	Included in pass through IT fee
Anti-Virus		X	Included in pass through IT fee
Microsoft Office Applications		X	Included in pass through IT fee
Windows OS (Operating System)		X	Included in pass through IT fee
Data Storage		X	Included in pass through IT fee
DBA (database support)		X	Included in pass through IT fee
Network Support		X	Included in pass through IT fee
Security Support		X	Included in pass through IT fee
Windows Server Support		X	Included in pass through IT fee
Data Backups		X	Included in pass through IT fee
Internet		X	Included in pass through IT fee
Software License Compliance Monitoring		X	Included in pass through IT fee
Software Vendor Coordination and Troubleshooting		X	Included in pass through IT fee: Support limited to specified software
Website Development and Maintenance		X	If applicable
RightFax		X	If applicable
Management/Billing/ Collections/ Admitting/Scheduling/Systems		X	Third party software licensing fees passed through to Owner
Purchasing/Materials Management Systems		X	Third party vendor fee passed through to Owner
Compliance			
Corporate Compliance Training and Audit Program	X		
HIPAA Training and Audit Program	X		
Clinical Support			
Benchmarking Quality Data	X		

Service	Included in Management Fee	Not Included in Management Fee	Comments
Accreditation Survey Preparation	X		Excludes travel expenses and incidental costs
Policy and Procedure Resources	X		
Staffing and Productivity Evaluation	X		
OR Efficiency Performance	X		
Measure Development and Benchmarking	X		
CMS Survey Preparation	X		Excludes travel expense and incidental costs
Patient Satisfaction Survey Ongoing		X	Expense of survey administration passed to Owner
Patient Satisfaction Survey Analysis and Benchmarking	X		
Physician Satisfaction Survey Annually		X	Expense of survey administration passed to Owner
Physician Satisfaction Survey Analysis and Benchmarking	X		
DON Leadership training	X		Excludes travel expenses and incidental costs
Medical record system implementation	X		
Human Resources Guidance			
Benefits Administration	X		
Payroll Administration and Processing		X	Licensing expenses from third party payroll vendor passed to Owner
Annual Employee Engagement Survey Processing		X	Cost from vendor to administer survey passed to Owner
Employee Satisfaction Survey Analysis and Benchmarking	X		
Employee Handbook Updates	X		
Human Resources Guidance	X		
401k Plan Administration/ Testing/5500's	X		
Employee Education Program	X		
Materials Management Support			
GPO Contracting and Coordination	X		
Distributor Contracting and Coordination	X		
Vendor Contracting	X		
Vendor Pricing Monitoring Against Negotiated Rates	X		
Product Selection and Pricing Review	X		

Service	Included in Management Fee	Not Included in Management Fee	Comments
Capital Equipment Evaluation and Negotiation	X		
Implant Cost Reduction Program	X		
Materials System Assessment and Support	X		
Preference Card Review and Physician Feedback Program	X		
Other Operational Support			
Local Operational Support: Administrative Support, On-Site Visits	X		
Staffing Review, Productivity Monitoring	X		
Regular Monitoring & Action Plan for SCA Vitals	X		
Contract Negotiations for Professional Services	X		
Board Communications and Attendance	X		
Partner Relations Management	X		
Annual Extension of Practice Safe Harbor Certifications (if applicable)		X	Additional annual base fee, plus hourly charges in the event that a partner challenges a determination; any necessary external legal fees passed through to Owner

Exhibit B

BUSINESS ASSOCIATE AGREEMENT

(See attached.)

BUSINESS ASSOCIATE AGREEMENT

THIS BUSINESS ASSOCIATE AGREEMENT (this "Agreement"), dated May 1, 2017 (the "Effective Date"), is entered into by and between **WESTERN CONNECTICUT ORTHOPEDIC SURGICAL CENTER, LLC** ("Covered Entity"), which operates a healthcare facility located in Bridgeport, Connecticut (the "Center") and **SURGICAL CARE AFFILIATES, LLC**, a Delaware limited liability company ("Business Associate") (individually, a "Party" and collectively, the "Parties"), and supersedes and amends any prior Business Associate Agreement, and any amendments thereto between the Parties.

RECITALS

WHEREAS, Covered Entity and Business Associate have entered into, or are entering into, or may subsequently enter into, agreements or other documented arrangements (collectively, the "Business Arrangements"), including, but not limited to, a Management Agreement, dated May 1, 2017, pursuant to which Business Associate may create, receive, maintain, or transmit data for or from Covered Entity that constitutes Protected Health Information to perform services ("Services") on behalf of Covered Entity; and

WHEREAS, Covered Entity is or may be subject to the requirements of the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), the Health Information Technology for Economic and Clinical Health Act (the "HITECH Act"), and the implementing regulations set forth at 45 CFR Parts 160, 162, and 164 (the "HIPAA Regulations"); and

WHEREAS, to the extent required by the HIPAA Regulations and applicable state law, Business Associate is or may be directly subject to certain privacy and security obligations and penalty provisions of the HIPAA Regulations and state law.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual covenants contained herein, the Parties, intending to be legally bound, agree as follows:

I. DEFINITIONS

Capitalized terms used but not otherwise defined in this Agreement shall have the same meaning as those terms in the HIPAA Regulations. "PHI" shall have the same meaning as the term "Protected Health Information" in 45 CFR 160.103, limited to the information created, received, maintained, or transmitted by Business Associate from or on behalf of Covered Entity. "Electronic PHI" shall have the same meaning as the term "Electronic Protected Health Information" in 45 CFR 160.103, limited to the information created, received, maintained, or transmitted by Business Associate from or on behalf of Covered Entity. "Unsecured PHI" shall have the same meaning as the term "Unsecured Protected Health Information" in 45 CFR 164.402, limited to the information created, received, maintained, or transmitted by Business Associate from or on behalf of Covered Entity.

II. EFFECT OF AGREEMENT

The Parties agree that any ambiguity in this Agreement shall be resolved in favor of a meaning that permits the Parties to comply with HIPAA, the HITECH Act, the HIPAA Regulations, and applicable state law.

III. BUSINESS ASSOCIATE OBLIGATIONS

(A) **Permitted Uses and Disclosures:** Business Associate shall not use and disclose PHI other than as expressly permitted or required by this Business Associate Agreement or as Required by Law. Except as otherwise limited in this Business Associate Agreement, Business Associate is permitted to use and disclose PHI as follows:

(i) Business Associate may use and disclose PHI to perform functions, activities, or services for, or on behalf of, Covered Entity as specified in the Business Arrangements, provided that use or disclosure would not violate the HIPAA Regulations if done by Covered Entity.

(ii) Business Associate may use and disclose PHI for the proper management and administration of the Business Associate or to carry out the legal responsibilities of the Business Associate (collectively, "Business Associate's Operations"), provided that Business Associate may only disclose PHI for Business Associate's Operations if the disclosure is Required By Law or Business Associate obtains reasonable assurances, evidenced by a written contract, from the recipient that the recipient will: (1) hold such PHI in confidence and use or further disclose it only for the purpose for which Business Associate disclosed it to the recipient or as Required By Law; and (2) notify Business Associate of any instance of which the recipient becomes aware in which the confidentiality of such PHI has been breached without unreasonable delay.

(iii) Business Associate may use PHI to provide Data Aggregation services to Covered Entity as permitted by 45 CFR 164.504(e)(2)(i)(B).

(iv) Business Associate may use PHI to create information that is de-identified in accordance with 45 CFR 164.514.

(v) Business Associate may use and disclose PHI as otherwise permitted by law, provided that such use or disclosure would not violate the HIPAA Regulations if done by Covered Entity directly and provided that Covered Entity gives its prior written consent.

(vi) To the extent Covered Entity notifies Business Associate of a restriction request granted by Covered Entity that would limit Business Associate's use or disclosure of PHI, Business Associate will comply with the restriction.

(vii) To the extent Business Associate is authorized to make disclosures directly to health plans, Business Associate shall not disclose PHI to a health plan for payment or health care operations purposes if the patient has requested this special restriction, and has paid out of pocket in full for the health care item or service to which the PHI solely relates, as required by 42 USC 17935(a).

(viii) Notwithstanding anything herein to the contrary, Business Associate shall not use or disclose PHI for purposes of marketing or fundraising, as defined in the HIPAA Regulations, the HITECH Act, and applicable state law.

(ix) Notwithstanding anything herein to the contrary, Business Associate shall not sell or receive remuneration, directly or indirectly, in exchange for PHI; provided,

however, that this prohibition shall not be construed to limit or otherwise affect payment by Covered Entity to Business Associate for services provided pursuant to the Business Arrangements.

(B) **Compliance:** Business Associate shall be directly responsible for full compliance with the applicable requirements of the HIPAA Regulations to the same extent as Covered Entity. To the extent Business Associate is to carry out an obligation of Covered Entity under the HIPAA Regulations, Business Associate shall comply with the requirements of the HIPAA Regulations that apply to Covered Entity in the performance of such obligation.

(C) **Minimum Necessary:** Business Associate represents that the PHI requested, used, or disclosed by Business Associate shall be the minimum amount necessary to carry out the purposes of the Business Arrangements. To the extent the requirements of 45 CFR 164.502(b) apply, Business Associate will limit all of its uses and disclosures of, and requests for, PHI (1) when practical, to the information making up a Limited Data Set, and (2) in all other cases, to the minimum amount of PHI necessary to accomplish the intended purpose of the use, disclosure, or request.

(D) **Business Associate Agents:** Business Associate shall ensure that each agent or subcontractor that creates, receives, maintains, or transmits PHI on behalf of Business Associate agrees in writing to the same restrictions and conditions that apply to Business Associate pursuant to this Business Associate Agreement.

(E) **Appropriate Safeguards; Security:** Business Associate shall use and maintain reasonable and appropriate administrative, technical, and physical safeguards to prevent uses and disclosures of PHI other than as permitted in this Business Associate Agreement. In addition, Business Associate agrees to comply with the applicable requirements of 45 C.F.R. Part 164 Subpart C with respect to Electronic PHI and any guidance issued by the Secretary of the Department of Health and Human Services.

(F) **Access to Records:** Business Associate shall make its internal practices, books, and records relating to the use and disclosure of PHI received from, or created or received by Business Associate on behalf of, Covered Entity available to Covered Entity, or to the Secretary of the Department of Health and Human Services, for purposes of determining compliance with the HIPAA Regulations.

(G) **Improper Access, Use, or Disclosure; Security Incident; Breach:** Business Associate shall promptly report to Covered Entity in writing any access, use, or disclosure of PHI not permitted by this Business Associate Agreement, any Security Incident, and any Breach of Unsecured PHI of which it becomes aware or which it discovers without unreasonable delay.

(i) A Breach shall be treated as discovered by Business Associate as of the first day on which such Breach is known to Business Associate, or by exercising reasonable diligence would have been known to Business Associate. Business Associate shall be deemed to have knowledge of a Breach if the Breach is known by, or by exercising reasonable diligence would have been known to, any person, other than the person committing the Breach, who is an employee, officer, or other agent of Business Associate.

(ii) Any report of Breach required by this section shall include the information specified in 45 CFR 164.410.

(iii) Business Associate shall promptly provide Covered Entity with updates of information concerning the details of any unauthorized access, use, or disclosure of PHI, Security Incident, or Breach.

(iv) Business Associate shall mitigate, to the extent practicable, any harmful effect that is known to Business Associate of a use or disclosure of PHI by Business Associate in violation of the requirements of this Business Associate Agreement, a Security Incident, or a Breach of Unsecured PHI.

(v) It is the sole responsibility of Covered Entity to notify individuals of any Breach of Unsecured PHI. Business Associate shall cooperate with Covered Entity in the provision of any such notification.

(vi) Notwithstanding Business Associate's obligation to notify Covered Entity of any Security Incident, the Parties acknowledge and agree that this Section constitutes notice by Business Associate to Covered Entity of the ongoing existence and occurrence of attempted but Unsuccessful Security Incidents (as defined below) for which no additional notice to Covered Entity shall be required. "Unsuccessful Security Incidents" shall include, but not be limited to, pings and other broadcast attacks on Business Associate's firewall, port scans, unsuccessful log-on attempts, denials of service, and any combination of the above, so long as no such incident results in unauthorized access, use, or disclosure of Electronic PHI.

(vii) Business Associate shall report to Covered Entity in writing any security incident or breach of personal information for which applicable state law may require notification or other action by either Business Associate or Covered Entity. Any such report shall be made in accordance with the requirements of the relevant state law.

(H) **Access to PHI; Amendment of PHI:** To the extent that the Parties mutually agree in writing that PHI is part of a Designated Record Set, and that such Designated Record Set (or a portion thereof) is to be maintained by Business Associate, as set forth and agreed to in **Schedule A**:

(i) Business Associate shall, within ten (10) days after a written request from Covered Entity, provide access, at the request of the Covered Entity, and in the time and manner designated by the Covered Entity, to such PHI to Covered Entity or, as directed by the Covered Entity, to an Individual in order to meet the requirements of 45 CFR 164.524.

(ii) If the requested PHI is maintained electronically, Business Associate shall provide a copy of the PHI in the form and format requested by the Individual, if it is readily producible, or, if not, in a readable electronic form and format agreed to by Covered Entity and the Individual.

(iii) In the event that any individual requests access to PHI directly from Business Associate, Business Associate shall immediately and in no event later than ten (10)

days of receiving such request forward the request to Covered Entity. Any denials of access to the PHI requested shall be the responsibility of Covered Entity.

(iv) Business Associate shall, within ten (10) days after a written request from Covered Entity, make amendments to such PHI as directed or agreed to by Covered Entity in accordance with the requirements of 45 CFR 164.526.

(v) In the event that a request for an amendment is delivered directly to Business Associate, Business Associate shall immediately and in no event later than ten (10) days of receiving such request forward the request to Covered Entity.

(I) **Accounting:** Business Associate shall document such disclosures of PHI and information related to such disclosures and, within ten (10) days after Covered Entity's written request, shall provide to Covered Entity or to an Individual, in the time and manner designated by Covered Entity, information collected in accordance with this section, as would be required for Covered Entity to respond to a request by an Individual for an accounting of disclosures of PHI in accordance with 45 CFR 164.528. In the event that a request for an accounting is delivered directly to Business Associate, Business Associate shall immediately and in no event later than ten (10) days of receiving such request forward the request to Covered Entity.

IV. COVERED ENTITY'S OBLIGATIONS

(A) **Notice of Privacy Practices:** Covered Entity shall provide Business Associate with the notice of privacy practices that Covered Entity produces in accordance with 45 CFR 164.520, as well as any subsequent changes to such notice of privacy practices.

(B) **Changes in Access by Individual:** Covered Entity shall provide Business Associate with any changes in, or revocation of, permission by an Individual to use or disclose PHI, if such changes affect Business Associate's permitted or required uses and disclosures.

(C) **Restrictions on Use and Disclosure of PHI:** Covered Entity shall notify Business Associate of any restriction to the use or disclosure of PHI that Covered Entity has agreed to in accordance with 45 CFR 164.522.

V. TERMINATION

(A) **Term:** The Term of this Agreement shall be effective as of the Effective Date and shall remain in effect until termination of the Business Arrangements; provided, however, that certain obligations shall survive termination of this Agreement as set forth in Section V(C).

(B) **Termination for Cause:** Covered Entity may immediately terminate this Agreement in the event that Business Associate materially breaches any provision of this Agreement. In its sole discretion, Covered Entity may permit Business Associate the ability to cure or take substantial steps to cure such material breach to Covered Entity's satisfaction within thirty (30) days after receipt of written notice from Covered Entity. If termination pursuant to this section is infeasible, Covered Entity shall report the breach to the Secretary of the Department of Health and Human Services.

(C) **Return or Destruction of PHI:** Upon termination, if feasible, Business Associate shall return or destroy, at no cost to Covered Entity, all PHI that Business Associate still

maintains in any form and shall retain no copies of such information. Prior to doing so, Business Associate further agrees to recover any PHI in the possession of its subcontractors or agents. If it is infeasible to return or destroy PHI, Business Associate shall provide to Covered Entity notification of the conditions that make return or destruction of PHI infeasible and Business Associate shall continue to extend the protections of this Agreement to such PHI, and limit further use of such PHI solely to those purposes that make the return or destruction of such PHI infeasible. The provisions of this section shall survive the expiration or termination of this Business Associate Agreement.

VI. MISCELLANEOUS

(A) **Amendment to Comply with Law:** The Parties acknowledge that it may be necessary to amend this Business Associate Agreement to comply with modifications to HIPAA, the HITECH Act, the HIPAA Regulations, and applicable state law, including but not limited to statutory or regulatory modifications or interpretations by a regulatory agency or court of competent jurisdiction. The Parties agree to use good faith efforts to develop and execute any amendments to this Business Associate Agreement as may be required by any such modifications.

(B) **Amendment:** This Business Associate Agreement may be amended or modified only in writing signed by the Parties.

(C) **Assignment:** Notwithstanding anything in the Business Arrangements to the contrary, neither Party may assign this Business Associate Agreement, in whole or in part, without the prior written consent of the other Party; provided, however, that Business Associate may assign this Business Associate Agreement without the consent of the other Party to an affiliate or in conjunction with a merger, reorganization, consolidation, change of control or sale of all or substantially all of its assets. Subject to the requirements of this paragraph, this Business Associate Agreement shall be binding upon and inure to the benefit of the respective successors and permitted assigns of the Parties.

(D) **No Third Party Beneficiaries; Agency Relationship:** Nothing expressed or implied in this Business Associate Agreement is intended to confer, nor shall anything herein confer, upon any person other than Covered Entity, Business Associate and their respective successors or assigns, any rights, remedies, obligations or liabilities whatsoever. Nothing in this Business Associate Agreement shall be construed to create any agency relationship between the parties.

(E) **Governing Law:** This Business Associate Agreement shall be governed by and construed in accordance with the substantive law of the state in which the Center is located without regard to conflicts of laws principles.

(F) **Paragraph Headings:** The paragraph headings in this Business Associate Agreement are for convenience only. They form no part of this Business Associate Agreement and shall not affect its interpretations.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties have executed this Business Associate Agreement as of the Effective Date.

COVERED ENTITY:

WESTERN CONNECTICUT ORTHOPEDIC SURGICAL CENTER, LLC

By: _____

Name: Joseph DiGiovanni, M.D.

Title: Manager

BUSINESS ASSOCIATE:

SURGICAL CARE AFFILIATES, LLC

By: _____

Name: Richard L. Sharff, Jr.

Title: Executive Vice President

IN WITNESS WHEREOF, the parties have executed this Business Associate Agreement as of the Effective Date.

COVERED ENTITY:

WESTERN CONNECTICUT ORTHOPEDIC SURGICAL CENTER, LLC

By: _____

Name: Joseph DiGiovanni, M.D.

Title: Manager

BUSINESS ASSOCIATE:

SURGICAL CARE AFFILIATES, LLC

By: _____

Name: Richard L. Sharff, Jr.

Title: Executive Vice President

SCHEDULE A

Identification of Designated Record Set

As contemplated in Section III(H), the Parties agree to the provision marked below:

☒ The PHI that Business Associate creates, receives, maintains, or transmits from or on behalf of Covered Entity, or has access to, in the course of providing services pursuant to the Business Arrangements constitutes a Designated Record Set (or a part thereof), and such Designated Record Set (or portion thereof) shall be maintained by Business Associate.

☐ The PHI that Business Associate creates, receives, maintains, or transmits from or on behalf of Covered Entity, or has access to, in the course of providing services pursuant to the Business Arrangements DOES NOT constitute a Designated Record Set (or a part thereof), and NO such Designated Record Set (or portion thereof) shall be maintained by Business Associate.

Transfer Agreement

TRANSFER AGREEMENT

This **Transfer Agreement** ("Agreement") dated this 12th day of September, 2014 ("Effective Date") is by and between **The Danbury Hospital** ("Hospital"), a Connecticut non-stock corporation, whose principal office is located at 24 Hospital Avenue, Danbury, Connecticut and **Western Connecticut Orthopedic Surgical Center, LLC** ("Center"), a Connecticut limited liability company with its principal place of business at 35 Tamarack Avenue, Danbury, Connecticut 06811. Hospital and Center are hereinafter each a "Party" and together are the "Parties."

WHEREAS, Hospital is an acute care hospital that is available as a resource to community health care providers and their patients; and

WHEREAS, in the order to provide optimal care to its community, Center from time to time desires to transfer patients to Hospital; and

WHEREAS, to the best of its ability Hospital desires to accept Center's patients in order to provide them with optimal care.

NOW THEREFORE, in the consideration of the mutual undertakings set forth below the Parties hereby agree as follows:

A. Transfer Protocol

1. Center's transferring attending physician shall be responsible for evaluating the patient's condition and shall determine the appropriateness or advisability of transfer. In any such case in which Center's physician determines that a transfer to Hospital is medically necessary and/or appropriate and in accordance with state and federal statutes and regulations, Center's attending physician shall call Hospital to request transfer of the patient to Hospital.

2. Subject to the availability of beds, staff and resources necessary for the care and treatment of the patient, the Hospital receiving attending physician shall accept or decline to accept transfer of the patient. After Hospital has accepted the patient and the patient is en route ("Transfer"), Hospital may not subsequently cancel orders to accept the patient unless Hospital arranges for another acute care hospital or other appropriate facility to accept the patient.

3. Center's transferring physician shall provide all necessary medical treatment within the capabilities of the staff and facilities available at Center in order to minimize the risks of transfer to the patient's health, and in consultation with Hospital's receiving physician, shall determine the selection of appropriate transportation and the level of care required for appropriate management of the patient en route to Hospital.

4. Center's transferring physician shall be responsible for the oversight of en route patient management. Upon arrival at Hospital the receiving physician or Emergency Department agrees to assume medical control and direction, all in accordance with applicable protocols and operating procedures.

5. All Transfers shall be subject to each Party's admission and discharge policies as well as their usual rules, regulations, and other policies.

6. Each Party will maintain required medical care and transfer documentation in accordance with state and federal statutes and regulations.

B. Patient Information

1. At the time of Transfer, Center shall provide Hospital with all the medical records associated with the admission as required by federal and state statutes and regulations, including but not limited to the reason for Transfer, information about the patient's condition, the treatment given, the patient's status at the time of Transfer, and any other available, relevant information, such as test results, x-ray films, and imaging studies. In addition, Center shall provide an initial diagnostic impression as well as whatever available patient information (the patient's name, address, hospital number, and the name, address, and the next of kin or other person responsible for the patient) that Center may have.

2. In the event full patient information is not provided at the time of Transfer, and subsequently becomes available, Center shall promptly transmit it to Hospital.

3. Center shall provide Hospital with all available information required for patient charges, including but not limited to any insurance information and demographic and financial data, in order to facilitate proper and efficient billing at Hospital.

C. Compliance with Law

The Parties recognize that this Agreement and any patient transfers made in accordance with the Agreement are subject to applicable state and federal statutes and regulations, as well as any applicable accreditation, certification and/or verification requirements. The Parties agree to conform their respective obligations under this Agreement in accordance with the applicable requirements.

D. Insurance

At all times, each Party shall maintain in full force and effect policies of professional and general liability insurance (or equivalent self-insurance mechanisms) insuring itself and its employees. Each Party shall ensure that members of its medical staff who may not be employees are appropriately and adequately insured for professional liability. This insurance or an equivalent self-insurance mechanism shall include tail coverage for the period of this Agreement.

E. Term and Termination

This Agreement shall commence on the Effective Date and shall remain in full force and effect for a period of two (2) years. Thereafter, this Agreement shall automatically renew for successive two (2) year periods, unless terminated by either Party by written notice given at least

ninety (90) days prior to the expiration of the then current term. Additionally, either Party may terminate this Agreement at any time without cause by providing the other Party with at least ninety (90) days advance written notice. This Agreement will terminate automatically should either Party fail to maintain its license or accreditation.

F. Indemnification

1. Each Party hereto shall indemnify, defend and hold the other Party harmless from and against any and all claims, costs, causes of action, lawsuits, losses, settlements, damages, liabilities and expenses, including reasonable attorneys' fees, that a Party incurs because of, or related to, the other Party's intentional or negligent actions.

2. This Section F shall survive the termination of this Agreement.

G. Other Terms and Conditions

1. If any change in law or regulation would cause any provision of the Agreement to jeopardize the tax exempt status of Hospital under section 501(C)(3) of the Internal Revenue Code, Hospital, at its option, may terminate this Agreement. However, prior to such termination, the Parties agree to use their best efforts to amend this Agreement so as to conform its intent to such applicable laws and/or regulations and to preserve the tax-exempt status of Hospital without terminating this Agreement.

2. If any provision of this Agreement is determined by final decision of an administrative agency or court (after exhaustion of appeals or appeal rights) to be invalid or in violation of any law or regulations, such provision shall be severed from this Agreement and the remainder of this Agreement shall be given effect by the Parties as if such provision never had been part of this Agreement.

3. This Agreement is not intended and shall not be construed to create any agency relationship between the Parties. Furthermore, this Agreement is not intended and shall not be construed to create an exclusive transfer relationship between the Parties.

4. Each Party shall directly bill any patient transferred hereunder (or the patient's payer) for its respective services rendered to the patient, and neither Party shall be responsible to the other for payment for services rendered by the other.

5. Nothing contained in this Agreement is intended to nor shall be construed to create any third Party rights for a patient or any other person or entity not a Party to this Agreement.

6. This Agreement shall be construed and all of the rights, powers and liabilities of the Parties shall be determined in accordance with the laws of the State of Connecticut.

7. This Agreement contains the entire understanding of the Parties and supersedes all prior oral or written representations and agreements between the Parties or between the Parties and any of their representatives or staff as to the subject matter of this Agreement, and may not be varied except in a writing executed by the Parties.

8. This Agreement may not be assigned by either Party without the prior written consent of the other Party, except that upon advance written notice to the other Party either Party may assign this Agreement to a successor corporation that carries on all or substantially all of its business. Subject to the foregoing limitation upon assignment, this Agreement shall be binding upon and insure to the benefit of the successors and assigns of the Parties.

9. To the extent that any of the services provided in accordance with this Agreement are deemed by the Secretary of the Federal Department of Health and Human Services, the U.S. Comptroller General, or the Secretary's or Comptroller's delegate, to be subject to the provisions of 42 USC 1395x(v)(1)(I), the Parties, until the expiration of four (4) years subsequent to the furnishing of services, shall make available, upon written request of the Secretary, or of the Comptroller, or any of their duly authorized representatives, this Agreement, and the books, documents and records of the Parties that are necessary to certify the nature and extent of the charges to patients for service provided under this Agreement.

10. If either Party carries out any of the duties of this Agreement through a Subcontract, with a value or cost of $10,000 or more over a twelve month period, with a related organization (as that term is defined with regard to a provider in 42 C.F.R Section 413.17), such subcontract shall contain a clause to the effect that until the expiration of four (4) years after the furnishing of such services pursuant to such subcontract, the related organization upon written request shall make available, to the Secretary or the Comptroller, or any of their duly authorized representatives, the subcontract, and books, documents, and records of such organization that are necessary to verify the nature and extent of such costs.

11. If either Party is requested to disclose any books, documents, or records relevant to this Agreement for the purpose of an audit or investigation relating directly to the provision of services under this Agreement (e.g. a governmental investigation of billing practices or services provided to patients), such Party shall notify the other Party of the nature and scope of the request and, to the extent permitted, shall make available to the other Party, upon its written request, relevant books, documents or records.

12. The headings, titles and captions used in this Agreement are merely for the convenience of the Parties and are not intended to add to, subtract from, or in any other manner modify or affect the construction of the substantive terms of this Agreement.

13. This Agreement shall be executed in at least two counterparts, each of which shall be deemed an original, but all such counterparts shall together constitute one and the same instrument. It shall not be necessary in making proof of this Agreement to produce or account for more than one counterpart.

IN WITNESS WHEREOF, the authorized representatives of Hospital and Center do hereby execute this Transfer Agreement.

Western Connecticut Orthopedic Surgical Center, LLC

Matthew A Searles

By:_____
Name: Matthew Searles
Title: Member of the Board of Managers

The Danbury Hospital

By:_____
Name: Michael Daglio
Title: COO

S:\doc\10 5201-5250\105202 Danbury Orthopedic\Docs\Hand Center of Western CT\Transfer Agreement (BVM 8.26.14).docx

EXHIBIT E

RMT_02_112: Non-Discrimination in Treatment of Patients

Template:	Policy & Procedure Combined
Version:	11/2/2016
Expiration Date:	11/2/2017
Approvers:	McLean, Donna;
Administrators:	George, Michelle;
Editors:	George, Michelle;
Viewers:	All Locations↓; User, Guest;
Folders:	Professional Clinical Liability/General Liability (RMT_02); Risk Mgmt Policy Binder;

Department:

Risk Management

Replaces Document Number:

C-05-14 Non-Discrimination in Treatment of Patients and Grievance Procedures (along with *Attachment A: Statement of Non-Discrimination and How to File a Grievance)*

CMP_01_134: Non-Discrimination in Treatment of Patients and Grievance Procedures (along *with Attachment A: Statement of Non-Discrimination and How to File a Grievance*)

Purpose:

The purpose of this policy is to implement Section 1557 of the Patient Protection and Affordable Care Act (ACA) (42 U.S.C. 18116), which prohibits discrimination on the basis of race, color, national origin, sex, gender identity age, or disability in certain health programs and activities.

Section 1557 provides that, except as provided in Title I of the ACA, an individual shall not, on the grounds prohibited under Title VI of the Civil Rights Act of 1964, Title IX of the Education Amendments of 1972, the Age Discrimination Act of 1975, or Section 504 of the Rehabilitation Act of 1973, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under, any health program or activity, any part of which is receiving Federal financial assistance or under any program or activity that is administered by an Executive Agency or any entity established under Title I of the ACA.

Summary of Changes:

The following is a **brief** summary of the changes that have been made to this document:

- **4/15/15:** Changed mailing address for SCA in policy.
- **1/18/16:** Moved from Compliance to Risk Management
- **10/17/16:** Combined policies **RMT_02_112** and **CMP_01_134**

Note that this is only a summary. It is your responsibility to read the full document to ensure you abide by the required elements.

Persons Affected:

This policy is applicable to all teammates, business associates (contractors, consultants, temporaries, volunteers, physicians, clinicians, and other workforce members at SCA), including all personnel affiliated with third parties.

These policies, procedures, and forms are compiled based on both legal and regulatory requirements as well as industry standard best practices. Persons are expected to use established practices and sound judgment in making decisions.

Policy Statement:

All patients seeking treatment at an SCA facility are to be treated with respect and dignity. Patients will not be denied treatment and other services and benefits offered by the facility based on race, color national origin, creed/religion, sex, gender identity, age, or disability. Any treatment determinations based on a person's physical status or diagnosis will be made on the basis of medical evidence and treatment capability and not on the basis of fear or prejudice. Services will be furnished based on the medical necessity and appropriateness of the admission or service as well as applicable requirements of federal and state law and regulations regarding the types of treatment that may appropriately be furnished at a particular facility.

The Administrator of each SCA facility is responsible for ensuring the non-discriminatory treatment of patients. The Grievance Procedure will be used for complaints of discrimination. The procedure and timeframes for resolution of grievances and complaints are described in the Grievance Procedure below. In addition, as stated in the Notice of Patient Rights and Responsibilities, an individual who files a complaint may pursue other remedies including filing a complaint with the Office for Civil Rights in the Department of Health and Human Services, which has federal responsibility for investigating discrimination complaints.

A) Designation of Responsible Teammate

Each facility shall designate at least one teammate to coordinate its efforts to comply with and carry out its responsibilities under this policy, including the investigation of any grievance communicated to the facility alleging noncompliance with this policy or alleging any action that would be prohibited by this policy. The responsible teammate can be referenced using various terms, including: Civil Rights Coordinator, Section 504 Coordinator, or Section 1557 Coordinator.

B) Adoption of Grievance Procedures

Each facility shall adopt grievance procedures that incorporate appropriate due process standards and that provide for the prompt and equitable resolution of grievances alleging any action that would be prohibited by this policy.

C) Nondiscrimination Provisions

Patients will not be excluded from participation in, be denied the benefits of, or otherwise be subjected to discrimination in the provision of any services provided by affiliates of SCA on the basis of race, color, national origin, sex, gender identity, age, or disability.

D) Specific Application of Nondiscrimination Provisions

1. **Meaningful access for individuals with limited English proficiency.**
    a. **General requirement.** A facility shall take reasonable steps to provide meaningful access to each individual with limited English proficiency ("LEP") eligible to be served or likely to be encountered in its health programs and activities.

    b. **Language assistance services requirements.** Language assistance services required under paragraph (a) of this section must be provided free of charge, be accurate and timely, and protect the privacy and independence of the individual with limited English proficiency.

    c. **Specific requirements for interpreter and translation services.** Subject to paragraph (a) of this section: (1) A facility shall offer a qualified interpreter to an individual with limited English proficiency when oral interpretation is a reasonable step to provide meaningful access for that individual with limited English proficiency; and (2) A facility shall use a qualified translator when translating written content in paper or electronic form.

    d. **Restricted use of certain persons to interpret or facilitate communication.** A facility shall not:
        1. Require an individual with limited English proficiency to provide his or her own interpreter;
        2. Rely on an adult accompanying an individual with limited English proficiency to interpret or facilitate communication, except:
            i. In an emergency involving an imminent threat to the safety or welfare of an individual or the public where there is no qualified interpreter for the individual with limited English proficiency immediately available; or
            ii. Where the individual with limited English proficiency specifically requests that the accompanying adult interpret or facilitate communication, the accompanying adult

agrees to provide such assistance, and reliance on that adult for such assistance is appropriate under the circumstances;

3. Rely on a minor child to interpret or facilitate communication, except in an emergency involving an imminent threat to the safety or welfare of an individual or the public where there is no qualified interpreter for the individual with limited English proficiency immediately available; or
4. Rely on staff other than qualified bilingual/multilingual staff to communicate directly with individuals with limited English proficiency.

e. **Video remote interpreting services.** A facility that provides a qualified interpreter for an individual with limited English proficiency through video remote interpreting services in the facility's health programs and activities shall provide:
   1. Real-time, full-motion video and audio over a dedicated high-speed, wide-bandwidth video connection or wireless connection that delivers high quality video images that do not produce lags, choppy, blurry, or grainy images, or irregular pauses in communication;
   2. A sharply delineated image that is large enough to display the interpreter's face and the participating individual's face regardless of the individual's body position;
   3. A clear, audible transmission of voices; and
   4. Adequate training to users of the technology and other involved individuals so that they may quickly and efficiently set up and operate the video remote interpreting.

f. **Acceptance of language assistance services is not required.** Nothing in this section shall be construed to require an individual with limited English proficiency to accept language assistance services.

2. **Effective communication for individuals with disabilities.**
   a. A facility shall take appropriate steps to ensure that communications with individuals with disabilities are as effective as communications with others in health programs and activities, in accordance with the standards found at 28 CFR 35.160 through 35.164. Where the regulatory provisions referenced in this section use the term "public entity," the term "facility" shall apply in its place.

   b. A facility shall provide appropriate auxiliary aids and services to persons with impaired sensory, manual, or speaking skills, where necessary to afford such persons an equal opportunity to benefit from the service in question.

3. **Accessibility standards for buildings and facilities.**
   a. Each facility or part of a facility that is constructed or altered by or on behalf of, or for the use of, the facility shall comply with the 2010 ADA Standards for Accessible Design, if the construction or alteration was commenced on or after July 18, 2016, except that if a facility or part of a facility in which services are provided that is constructed or altered by or on behalf of, or for the use of, the facility was not covered by the 2010 Standards prior to July 18, 2016, such facility or part of a facility shall comply with the 2010 Standards if the construction was commenced after January 18, 2018. Departures from particular technical and scoping requirements by the use of other methods are permitted where substantially equivalent or greater access to and usability of the facility is provided. All newly constructed or altered buildings or facilities subject to this section shall comply with the requirements for a "public building or facility" as defined in Section 106.5 of the 2010 Standards.

   b. Each facility or part of a facility in which services are provided that is constructed or altered by or on behalf of, or for the use of, the facility in conformance with the 1991 Standards or the 2010 Standards shall be deemed to comply with the requirements of this section and with 45 CFR 84.23 (a) and (b), cross-referenced in § 92.101(b)(2)(i) with respect to those facilities, if the construction or alteration was commenced on or before July 18, 2016. Each facility or part of a facility in which services are provided that is constructed or altered by or on behalf of, or for the use of, the facility in conformance with the Uniform Federal Accessibility Standards shall be deemed to comply with the requirements of this section and with 45 CFR 84.23(a) and (b), cross-referenced in § 92.101(b)

(2)(i) with respect to those facilities, if the construction was commenced before July 18, 2016 and such facility was not covered by the 1991 Standards or 2010 Standards.

4. **Accessibility of electronic and information technology.**
   a. Facilities shall ensure that their services provided through electronic and information technology are accessible to individuals with disabilities, unless doing so would result in undue financial and administrative burdens or a fundamental alteration in the nature of the services. When undue financial and administrative burdens or a fundamental alteration exist, the facility shall provide information in a format other than an electronic format that would not result in such undue financial and administrative burdens or a fundamental alteration but would ensure, to the maximum extent possible, that individuals with disabilities receive the benefits or services of the health program or activity that are provided through electronic and information technology. This requirement includes activities such as an online appointment system and electronic billing.

   b. Facilities shall ensure that their health programs and activities provided through Web sites comply with the requirements of Title II of the ADA (in essence, 28 CFR 35.160 through 35.164).

5. **Requirement to make reasonable modifications.**

   A facility shall make reasonable modifications to policies, practices, or procedures when such modifications are necessary to avoid discrimination on the basis of disability, unless the facility can demonstrate that making the modifications would fundamentally alter the nature of the health program or activity.

6. **Equal program access on the basis of sex.**

   A facility shall provide individuals equal access to its services without discrimination on the basis of sex; and a facility shall treat individuals consistent with their gender identity, except that a facility may not deny or limit health services that are ordinarily or exclusively available to individuals of one sex, to a transgender individual based on the fact that the individual's sex assigned at birth, gender identity, or gender otherwise recorded is different from the one to which such health services are ordinarily or exclusively available.

7. **Nondiscrimination on the basis of association.**

   A facility shall not exclude from participation in, deny the benefits of, or otherwise discriminate against an individual or entity in its health programs or activities on the basis of the race, color, national origin, sex, gender identity, age, or disability of an individual with whom the individual or entity is known or believed to have a relationship or association.

E) Notice requirements

a. Each facility shall take appropriate initial and continuing steps to notify patients and members of the public of the following:
   1. The facility does not discriminate on the basis of race, color, national origin, sex, gender identity, age, or disability in its health programs and activities;
   2. The facility provides appropriate auxiliary aids and services, including qualified interpreters for individuals with disabilities and information in alternate formats, free of charge and in a timely manner, when such aids and services are necessary to ensure an equal opportunity to participate to individuals with disabilities;
   3. The facility provides language assistance services, including translated documents and oral interpretation, free of charge and in a timely manner, when such services are necessary to provide meaningful access to individuals with limited English proficiency;
   4. How to obtain the aids and services in paragraphs (a)(2) and (3) of this section;
   5. An identification of, and contact information for, the facility's Civil Rights Coordinator, if applicable;
   6. The availability of the grievance procedure and how to file a grievance, if applicable; and

7. How to file a discrimination complaint with OCR in the Department.

b. Within 90 days of the effective date of this part, each facility shall:
   1. As described in paragraph (f)(1) of this section, post a notice that conveys the information in paragraphs (a)(1) through (7) of this section (see Attachment A); and
   2. As described in paragraph (g)(1) of this section, if applicable, post a nondiscrimination statement (see Attachment A) that conveys the information in paragraph (a)(1) of this section.

c. For use by covered entities, the Director shall make available, electronically and in any other manner that the Director determines appropriate, the content of a sample notice that conveys the information in paragraphs (a)(1) through (7) of this section, and the content of a sample nondiscrimination statement that conveys the information in paragraph (a)(1) of this section, in English and in the languages triggered by the obligation in paragraph (d)(1) of this section (translated resources are available from http://www.hhs.gov/civil-rights/for-individuals/section-1557/translated-resources/).

d. Each facility shall:
   1. As described in paragraph (f)(1) of this section, post taglines in at least the top 15 languages spoken by individuals with limited English proficiency of the relevant State or States; and
   2. As described in paragraph (g)(2) of this section, if applicable, post taglines in at least the top two languages spoken by individuals with limited English proficiency of the relevant State or States. Translated resources are available from http://www.hhs.gov/civil-rights/for-individuals/section-1557/translated-resources/).

e. For use by covered entities, the Director shall make available, electronically and in any other manner that the Director determines appropriate, taglines in the languages triggered by the obligation in paragraph (d)(1) of this section.

f.
   1. Each facility shall post the notice required by paragraph (a) of this section and the taglines required by paragraph (d)(1) of this section in a conspicuously-visible font size:
      i. In significant publications and significant communications targeted to beneficiaries, enrollees, applicants, and members of the public, except for significant publications and significant communications that are small-sized, such as postcards and tri-fold brochures;
      ii. In conspicuous physical locations where the entity interacts with the public; and
      iii. In a conspicuous location on the facility's Web site accessible from the home page of the facility's Web site.
   2. A facility may also post the notice and taglines in additional publications and communications.

g. Each facility shall post, in a conspicuously-visible font size, in significant publications and significant communications that are small-sized, such as postcards and tri-fold brochures:
   1. The nondiscrimination statement required by paragraph (b)(2) of this section; and
   2. The taglines required by paragraph (d)(2) of this section.

h. A facility may combine the content of the notice required in paragraph (a) of this section with the content of other notices if the combined notice clearly informs individuals of their civil rights under Section 1557 and this part.

IMPORTANT NOTE: Facilities are responsible for ascertaining whether any state-specific notifications are required to be made to patients or to any state agencies or government units. If such notifications are required, facilities are responsible for obtaining contact information for the respective state agency or government unit.

Procedure Steps:

A) Designation of Responsible Teammate

The Facility Administrator will be the Civil Rights Coordinator unless they have designated in writing that another facility leader will serve as the Coordinator.

B) Grievance Procedures

1. Patients who wish to file a complaint or grievance against SCA for violation of this policy must be given a copy of the **Statement of Non-Discrimination and How to File a Grievance (Attachment B)**. This explains the process for filing a written complaint or grievance with SCA or directly to the Office for Civil Rights.

2. Grievances must be submitted to the Civil Rights Coordinator within **60 days** of the date the person filing the grievance becomes aware of the alleged discriminatory action.

3. A complaint must be in writing, containing the name and address of the person filing it. The complaint must state the problem or action alleged to be discriminatory and the remedy or relief sought.

4. The Civil Rights Coordinator (or her/his designee) shall conduct an investigation of the complaint. This investigation may be informal, but it will be thorough, affording all interested persons an opportunity to submit evidence relevant to the complaint. The Civil Rights Coordinator will maintain the files and records of the facility Civil Rights Coordinator will take appropriate steps to preserve the confidentiality of files and records relating to grievances and will share them only with those who have a need to know.

5. The Civil Rights Coordinator will issue a written decision on the grievance, based on a preponderance of the evidence, no later than **30 days** after its filing, including a notice to the complainant of their right to pursue further administrative or legal remedies.

6. The person filing the grievance may appeal the decision of the Civil Rights Coordinator by writing to the facility Governing Board within 15 days of receiving the Civil Rights Coordinator's decision. The Governing Board shall issue a written decision in response to the appeal no later than 30 days after its filing.

The availability and use of this grievance procedure does not prevent a person from pursuing other legal or administrative remedies, including filing a complaint of discrimination on the basis of race, color, national origin, sex, gender identity, age or disability in court or with the U.S. Department of Health and Human Services, Office for Civil Rights. A person can file a complaint of discrimination electronically through the Office for Civil Rights Complaint Portal, which is available at: https://ocrportal.hhs.gov/ocr/portal/lobby.jsf, or by mail or phone at:

U.S. Department of Health and Human Services,
200 Independence Avenue SW., Room 509F, HHH Building,
Washington, DC 20201.

All written complaints or grievances relating to alleged discrimination under this policy must be forwarded within thirty (30) days of the incident to:

Surgical Care Affiliates (SCA)
Attn: Legal Services Department - Grievance Review
569 Brookwood Village Suite 901
Birmingham, AL 35209

The Legal Services Department will review the grievance and will review the written response to the complainant. The response must include a description of the steps taken to investigate the grievance and the findings of the review.

When appropriate, the Legal Services Department will require the completion of a corrective action plan by the facility. Corrective action may include, but is not limited to, reasonable modifications in policies, practices or

procedures when necessary to ensure appropriate access to items, services or accommodations in accordance with federal law.

C) Nondiscrimination Provisions

The facility will ensure that all patients or their personal representatives receive the ***Notice of Patient Rights and Responsibilities***. This informs patients they have a right to, among other things:

- Access to treatment without regard to race, ethnicity, national origin, color, creed/religion, sex, gender identity, age, mental disability, or physical disability. Any treatment determinations based on a person's physical status or diagnosis will be made on the basis of medical evidence and treatment capability.

- Expect the facility to establish a process for prompt resolution of patients' grievances and to inform each patient whom to contact to fi le a grievance. Grievances/ complaints and suggestions regarding treatment or care that is (or fails to be) furnished may be expressed at any time.

- Exercise your rights without being subjected to discrimination or reprisal.

D) Specific Application of Nondiscrimination Provisions

1) Limited English Proficiency Procedures:

For SCA facilities the general guidelines below will be followed. In order to better determine a language someone is speaking, you may use ***Attachment C*** (See the ***Attachments/Links*** tab) of this policy to provide to the patient. ***Attachment C*** is from the Department of Commerce, Bureau of the Census. It is an "I Speak" Language Identification Flashcard and is written in 38 languages which can be used to identify the language spoken by an individual accessing services provided by federally assisted programs or activities.

Oral Interpretation

SCA will provide oral interpretation for treatment purposes. The Company has access, through its GPO, to a contract with Language Services Associates (LSA) to provide these services to facilities. Facilities must enroll in order to obtain services at the contracted pricing. To enroll, a facility must contact the SCO HelpDesk (1.866.643.0758 or scohelp@scasurgery.com) and the SCA Contract Specialist will sign off on the GPO designation form and connect the facility to contract # SV0920. The attached Client Agreement Letter will provide the pricing terms for the facility's records. It does not need to be completed. Additionally, state relay services can help facilities to provide communication access to telephone service for people who are deaf, deaf-blind, hard of hearing and speech disabled. These services allow hearing callers to communicate with text-telephone (TTY) users and vice versa through specially trained relay operators. Telecommunications Relay Services permit persons with a hearing or speech disability to use the telephone system via a text telephone (TTY) or other device to call persons with or without such disabilities.

To make using TRS as simple as possible, you can simply dial 711 to be automatically connected to a TRS operator. By dialing 711, both voice and TRS users can initiate a call from any telephone, anywhere in the United States.

Some LEP persons may prefer or request to use a family member or friend as an interpreter. However, family members or friends of the LEP person will not be used as interpreters unless specifically requested by that individual and after an offer of an interpreter at no charge to the person has been made by the facility. Such an offer and the response will be documented in the persons file. If the LEP person chooses to use a family member or friend as an interpreter, issues of competency of interpretation, confidentiality, privacy, and conflict of interest should be considered. If the SCA teammate reasonably believes that the family member or friend is not competent or appropriate for any of these reasons, an alternate interpreter service should be provided to the LEP person.

Other patients will not be used to interpret, in order to ensure confidentiality of information and accurate communication.

Contracted Oral Interpretation Services and HIPAA: A facility is not required to obtain an individual's authorization to use or disclose protected health information (PHI) to contracted interpreting service providers.

However, if a facility has a contractual relationship with an interpreting service provider other than Language Services Associates, a Business Associate Agreement (BAA) must be obtained.

Written Materials

SCA facilities have an obligation to provide translation of written materials for LEP patients.

The translation language is: "You may request oral translation of the written materials that SCA is providing to you. This will be provided at no cost to you."

If a facility needs additional languages translated for the notice of patient rights', it can contact the SCO HelpDesk for assistance.

If a facility has any LEP language group that is 5% of admissions (applies to both inpatient and outpatient settings) or 1000 patients (whichever is less) eligible to be served or likely to be affected or encountered, then the facility should contact the SCO HelpDesk for assistance in obtaining vital document translations.

2) Sensory Impairment Procedures

FOR PERSONS WHO ARE DEAF AND HARD OF HEARING:

Each facility will offer alternatives to interpreters as long as the result is effective communication. Any alternative should be discussed with hearing impaired patients, especially those unaware that alternatives are permissible under the law. Acceptable alternatives may include note taking, written materials, lip reading, and electronic mail.

In the event that the person requests an interpreter or that the facility determines that the information should be given by another party, then the following alternatives are available depending upon the person's situation. Some persons who are deaf and hard of hearing may prefer or request to use a family member or friend as an interpreter. However, family members or friends of the person who is deaf and hard of hearing will not be used as interpreters unless specifically requested by that individual and after an offer of an interpreter at no charge to the person has been made by the facility. Such an offer and the response will be documented in the persons file. If the person who is deaf and hard of hearing chooses to use a family member or friend as an interpreter, issues of competency of interpretation, confidentiality, privacy, and conflict of interest should be considered. If the SCA teammate reasonably believes that the family member or friend is not competent or appropriate for any of these reasons, an alternate interpreter service (a or b below) should be provided to the person who is deaf and hard of hearing.

Other patients will not be used to interpret, in order to ensure confidentiality of information and accurate communication.

a. *Sign-language interpreter:* If a facility is unaware of a local sign-language interpreter, contact the Registry of Interpreters for the Deaf https://myaccount.rid.org/Public/Search/Interpreter.aspx.

b. *Telecommunications device for the deaf (TDD):* Each facility will produce written documentation indicating where the TDD is located, how to operate it, and the telephone number. If a facility does not have a TDD device, the facility can dial 711 to contact a Telecommunications Relay Service.

Depending upon the facility's technological equipment, the facility may choose to offer voice-to-text or video relay/remote interpretation.

FOR PERSONS WITH VISUAL IMPAIRMENTS:

For persons with visual impairments, the facility will provide a reader, who may be a member of the staff, who will read out loud to the patient the content of any written material concerning benefits, services, waivers of rights, and consent to treat forms. When a reader is provided the facility should have a witness to the reading of the documents and make a notation in the patient medical record regarding the materials that were read and witnessed.

OR

The facility may also provide large print, taped and Braille materials. The facility must also have written documentation as to what aids are available, where they are located, and how they are used.

FOR PERSONS WITH SPEECH IMPAIRMENTS:

The facility may use a combination of the methods above depending on the level and type of impairment. In any case, the facility should have written documentation indicating what written materials, typewriters, TDD and computers are available to facilitate communication with speech impaired persons.

3) Cognitive Disorder Procedures:

For persons with cognitive disorders, including learning disabilities, a facility will need to utilize various avenues, which would depend on the type and severity of the patient's disorder, to determine the manner in which to best communicate with the patient.

Examples of access features for individuals with cognitive disorders may include:

- Provision of reading services and/or verbal service descriptions, upon request.

- Depending upon the facility's technological equipment, the facility may offer voice-to-text or video relay/remote interpretation. The facility contacting a disability service organization such as local affiliates of The ARC of the US, United Cerebral Palsy, Easter Seals, National Association for Mental Illness, etc. that better understand individuals with disabilities' customer service needs and issues.

TRAINING/EDUCATION:

The Civil Rights Coordinators are responsible for ensuring that all teammates and applicable business associates are familiar with this policy.

Definitions:

Applicant means an individual who applies to participate in a health program or activity.

Auxiliary aids and services include:

1. Qualified interpreters on-site or through video remote interpreting (VRI) services, as defined in 28 CFR 35.104 and 36.303(b); note takers; real-time computer-aided transcription services; written materials; exchange of written notes; telephone handset amplifiers; assistive listening devices; assistive listening systems; telephones compatible with hearing aids; closed caption decoders; open and closed captioning, including real-time captioning; voice, text, and video-based telecommunication products and systems, text telephones (TTYs), videophones, and captioned telephones, or equally effective telecommunications devices; videotext displays; accessible electronic and information technology; or other effective methods of making aurally delivered information available to individuals who are deaf or hard of hearing;
2. Qualified readers; taped texts; recordings; Braille materials and displays; screen reader software; magnification software; optical readers; secondary auditory programs; large print materials; accessible electronic and information technology; or other effective methods of making visually delivered materials available to individuals who are blind or have low vision;
3. Acquisition or modification of equipment and devices; and
4. Other similar services and actions.

Department means the U.S. Department of Health and Human Services.

Director means the Director of the Office for Civil Rights (OCR) of the Department.

Disability means, with respect to an individual, a physical or mental impairment that substantially limits one or more major life activities of such individual; a record of such an impairment; or being regarded as having such an impairment, as defined and construed in the Rehabilitation Act, 29 U.S.C. 705(9)(B), which incorporates the definition of disability in the ADA, 42 U.S.C. 12102, as amended. Where this part cross-references regulatory provisions that use the term "handicap," "handicap" means "disability" as defined in this section.

Electronic and information technology means the same as "electronic and information technology," or any term that replaces "electronic and information technology," as it is defined in 36 CFR 1194.4.

Employee health benefit program means:

1. Health benefits coverage or health insurance coverage provided to employees and/or their dependents established, operated, sponsored or administered by, for, or on behalf of one or more employers, whether provided or administered by entities including but not limited to an employer, group health plan (as defined in the Employee Retirement Income Security Act of 1974 (ERISA), 29 U.S.C. 1191b(a)(1)), third party administrator, or health insurance issuer.
2. An employer-provided or employer-sponsored wellness program;
3. An employer-provided health clinic; or
4. Long term care coverage or insurance provided or administered by an employer, group health plan, third party administrator, or health insurance issuer for the benefit of an employer's employees.

Health program or activity means the provision or administration of health related services, health-related insurance coverage, or other health related coverage, and the provision of assistance to individuals in obtaining health-related services or health-related insurance coverage. For an entity principally engaged in providing or administering health services or health insurance coverage or other health coverage, all of its operations are considered part of the health program or activity, except as specifically set forth otherwise in this part. Such entities include a hospital, health clinic, group health plan, health insurance issuer, physician's practice, community health center, nursing facility, residential or community-based treatment facility, or other similar entity. A health program or activity also includes all of the operations of a State Medicaid program, a Children's Health Insurance Program, and the Basic Health Program.

Individual with a disability means any individual who has a disability as defined for the purpose of Section 504 of the Rehabilitation Act of 1973, 29 U.S.C. 705(20)(B)–(F), as amended. Where this part cross-references regulatory provisions applicable to a "handicapped individual," "handicapped individual" means "individual with a disability" as defined in this section.

Individual with limited English proficiency means an individual whose primary language for communication is not English and who has a limited ability to read, write, speak, or understand English.

Language assistance services may include, but are not limited to:

1. Oral language assistance, including interpretation in non-English languages provided in-person or remotely by a qualified interpreter for an individual with limited English proficiency, and the use of qualified bilingual or multilingual staff to communicate directly with individuals with limited English proficiency;
2. Written translation, performed by a qualified translator, of written content in paper or electronic form into languages other than English; and
3. Taglines.

National origin includes, but is not limited to, an individual's, or his or her ancestor's, place of origin (such as country or world region) or an individual's manifestation of the physical, cultural, or linguistic characteristics of a national origin group.

On the basis of sex includes, but is not limited to, discrimination on the basis of pregnancy, false pregnancy, termination of pregnancy, or recovery therefrom, childbirth or related medical conditions, sex stereotyping, and gender identity.

Qualified bilingual/multilingual staff means a member of a facility's workforce who is designated by the facility to provide oral language assistance as part of the individual's current, assigned job responsibilities and who has demonstrated to the facility that he or she:

1. Is proficient in speaking and understanding both spoken English and at least one other spoken language, including any necessary specialized vocabulary, terminology and phraseology, and
2. Is able to effectively, accurately, and impartially communicate directly with individuals with limited English proficiency in their primary languages.

Qualified individual with a disability means, with respect to a health program or activity, an individual with a disability who, with or without reasonable modifications to policies, practices, or procedures, the removal of architectural, communication, or transportation barriers, or the provision of auxiliary aids and services, meets the essential eligibility requirements for the receipt of aids, benefits, or services offered or provided by the health program or activity.

Qualified interpreter for an individual with a disability.

1. A qualified interpreter for an individual with a disability means an interpreter who via a remote interpreting service or an onsite appearance:
    i. Adheres to generally accepted interpreter ethics principles, including client confidentiality; and
    ii. is able to interpret effectively, accurately, and impartially, both receptively and expressively, using any necessary specialized vocabulary, terminology and phraseology.
2. For an individual with a disability, qualified interpreters can include, for example, sign language interpreters, oral transliterators (individuals who represent or spell in the characters of another alphabet), and cued language transliterators (individuals who represent or spell by using a small number of handshapes).

Qualified interpreter for an individual with limited English proficiency means an interpreter who via a remote interpreting service or an on-site appearance:

1. Adheres to generally accepted interpreter ethics principles, including client confidentiality;
2. has demonstrated proficiency in speaking and understanding both spoken English and at least one other spoken language; and
3. is able to interpret effectively, accurately, and impartially, both receptively and expressly, to and from such language(s) and English, using any necessary specialized vocabulary, terminology and phraseology.

Qualified translator means a translator who:

1. Adheres to generally accepted translator ethics principles, including client confidentiality;
2. has demonstrated proficiency in writing and understanding both written English and at least one other written non-English language; and
3. is able to translate effectively, accurately, and impartially to and from such language(s) and English, using any necessary specialized vocabulary, terminology and phraseology.

Recipient means any State or its political subdivision, or any instrumentality of a State or its political subdivision, any public or private agency, institution, or organization, or other entity, or any individual, to whom Federal financial assistance is extended directly or through another recipient and which operates a health program or activity, including any subunit, successor, assignee, or transferee of a recipient.

Sex stereotypes means stereotypical notions of masculinity or femininity, including expectations of how individuals represent or communicate their gender to others, such as behavior, clothing, hairstyles, activities, voice, mannerisms, or body characteristics. These stereotypes can include the expectation that individuals will consistently identify with only one gender and that they will act in conformity with the gender-related expressions stereotypically associated with that gender. Sex stereotypes also include gendered expectations related to the appropriate roles of a certain sex.

Taglines mean short statements written in non-English languages that indicate the availability of language assistance services free of charge.

Enforcement:
Any teammate found to have violated this policy may be subject to disciplinary action, up to and including termination of employment.

Business associates found to have violated this policy may be subject to financial penalties, up to and including termination of contract.

SCA policies and procedures are confidential proprietary information that should not be disclosed to individuals outside SCA. All confidential or proprietary information should be protected against theft, loss, and unauthorized disclosure.

Review and Update:
This policy is to be reviewed annually to determine if the policy complies with current regulations and SCA practices. In the event that significant related changes occur, the policy will be reviewed and updated as needed.

Referenced Documentation:

References used within this document that also reside in policyIQ are located and can be accessed via the **"Attachments/Links"** tab.

Contact Information:

If you have questions or concerns regarding this policy, please use the following email link to contact the appropriate business area representative. Please also include the number and name of the policy you are referencing in your email:

policyIQ@scasurgery.com

Reviews and Approvals:

Reviewed by	**Date**
C. Scott Thompson	07/08/2009
C. Scott Thompson	12/20/2010
C. Scott Thompson	01/09/2013
C. Scott Thompson	03/19/2014
C. Scott Thompson	04/15/2015
Michelle George	01/18/2016
Michelle George, Scott Thompson	10/19/2016
Approved by	**Date**
Compliance Committee of SCA Board of Directors	February 2009
P&P Task Force	July 2009
Policy Advisory Review Committee (PARC)	November 2016

Attachments / Links

CMP_01_118: Communicating Effectively with Persons with Limited English Proficiency, Sensory Impairments, or Cognitive Disorders [ID: 13893]

RMT_02_113: Accessibility to SCA Facilities [ID: 14014]

Attachment A (Sample Notice) (14)

Attachment B (Grievance Procedure) (15)

Attachment C (I Speak Cards) (317)

Attachment D (Language Services Associates Agreement Letter) (256)

SCA Internal Use Only
ID: 14011

EXHIBIT F

RCO_02_108: Financial Hardship - Charity Discounts

Template:	Policy & Procedure Combined
Version:	2/16/2016
Expiration Date:	2/15/2017
Approvers:	McLean, Donna;
Administrators:	Kadibhai, Sher;
Editors:	Kadibhai, Sher; McLean, Donna;
Viewers:	All Locations↓; User, Guest;
Folders:	RCO Policy Binder; RCO P&P Binder - Centers; Surgery Operations (RCO_02);

Department:

Revenue Cycle Operations

Replaces Document Number:

1-5 Financial Hardship - Charity Discounts

Purpose:

The purpose of this policy is to establish governance and protocols for financial hardship - charity discount processing.

Summary of Changes:

The following is a **brief** summary of the changes that have been made to this document:

- Corrected the Health and Human Services Poverty Guidelines.
- **10/21/2010** - Updated signature authority table.
- **1/28/2014 -** Updated 2014 Poverty Guidelines
- **9/11/2014** - Updated Business Office Manager and Administrator approval levels
- **2/4/2015** - Updated 2015 Poverty Guidelines
- **12/1/15** - Minor editing update
- **2/15/2016** - Updated 2016 Poverty Guidelines

Note that this is only a summary. It is your responsibility to read the full document to ensure you abide by the required element.

Persons Affected:

This policy is applicable to all teammates, business associates (contractors, consultants, temporaries, volunteers, physicians, clinicians, and other workforce members at SCA), including all personnel affiliated with third parties.

These policies, procedures, and forms are compiled based on both legal and regulatory requirements as well as industry standard best practices. Persons are expected to use established practices and sound judgment in making decisions.

Policy Statement:

For all payors, including self pay, a patient may request a Financial Hardship-Charity Discount. Financial need and any discount must be verified and documented. Facilities may deem Medicare beneficiaries indigent or medically indigent when such individuals have also been determined eligible for Medicaid as either categorically or medically needy individuals. If a facility wishes to offer a financial hardship or charity discount to a patient with Medicare benefits and the patient also qualifies for Medicaid, additional effort to determine financial hardship is not necessary with **proof** of Medicaid eligibility. The documented proof of Medicaid eligibility must be retained in the patient's medical record as a permanent document.

The discount should be applied before the claim is generated. Therefore, the Third Party Payor and patient equally benefit from the discount. These discounts do not apply to cosmetic procedures, see policy ***RCO_04_110: Cosmetic Cases***.

Discounts for these reasons should not exceed 3% of monthly gross revenue or number of cases performed each month. The Business Office Manager (BOM) is responsible for monitoring these discounts and notifying the Administrator of any excess discounts.

Procedure Steps:

1. Complete a ***Financial Disclosure Form*** (see **Attachments/Links**) to determine eligibility and a ***Write-Off Approval Form*** (see **Attachments/Links** for hand written or electronic version). Submit both to the signature authority provide in the table below:

Title	Approval Amount
Business Office Manager	$2 - $1,000
Administrator	$1,001 - $5,000
VP/Director of Operations	$5,001 - $50,000
SVP of Operations	$50,001 and greater

2. Approval is at the facility's discretion and should be made on a case-by-case basis. Follow the Health and Human Services (HHS) Poverty Guidelines to determine if the patient is at or below the poverty level for their respective state. Below is an example of the HHS Poverty Guidelines, actual amounts can be found at http://aspe.hhs.gov/poverty/index.shtml.

   The Health and Human Services (HHS) guidelines are updated annually and can be located at http://www.aspe.hhs.gov/poverty/index.shtml. They are typically published in February. The list below is for 2016.

Persons in Family Unit	48 Contiguous States and D.C.	Alaska	Hawaii
1	$ 11,880	$ 14,840	$ 13,670
2	$ 16,020	$ 20,020	$ 18,430
3	$ 20,160	$ 25,200	$ 23,190
4	$ 24,1300	$ 30,380	$ 27,950
5	$ 28,440	$ 35,560	$ 32,710
6	$ 32,580	$ 40,740	$ 37,470
7	$ 36,730	$ 45,920	$ 42,230
8	$ 40,890	$ 51,120	$ 47,010
For each additional person, add	$4,160	$5,200	$4,780

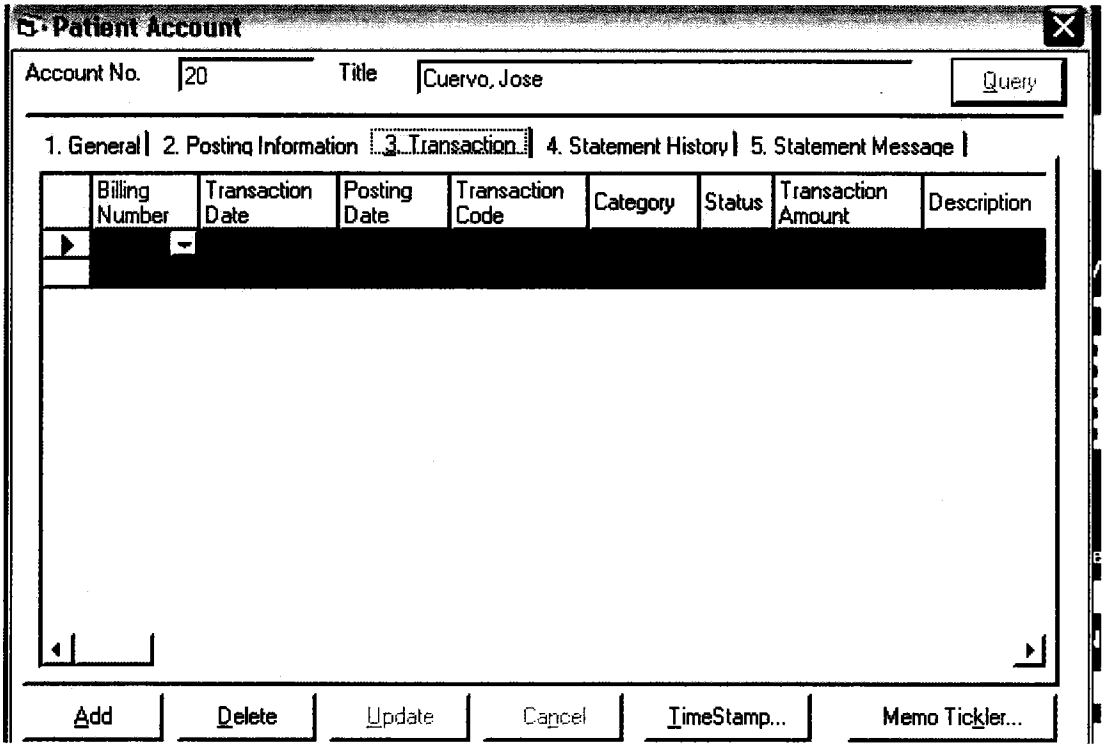
3. Facility management must determine the discount percent the facility offers to those who qualify for a financial hardship and apply that percent consistently to all patients who qualify. The facility must receive written approval from the Governing Board, the Regional Vice-President and the Compliance Officer (or their designee). The documented and approved discount policy must be kept with this policy at the facility for reference.

4. Place the signed, approved ***Financial Disclosure Form*** (see **Attachments/Links**) in the patient's medical record for reference during the billing process.

5. The Biller enters a memo in the patient account.

6. Biller enters charges according to the Charge Entry procedure.

7. Prior to claim generation, if the patient has insurance, post the discount using transaction code 617, Charity. The following is a sample transaction history of a patient. If there's no insurance involved and the discount does not reduce the patients balance to zero, immediately mail the patient a statement.



8. Full charges will print on the claim form even though the charge has been reduced. Due to system limitations the claim will print full charges, requiring hand editing prior to mailing. The charge on the claim should be changed to match the total charges in the patient's account after the discount has been applied.

9. Copy the ***Financial Disclosure Form*** (see **Attachments/Links**) and attach to the claim when it's mailed to the payor.

10. Print the Transaction Report #1004 by transaction code 617 Charity at the end of each month and place in the month end package.

Report ID: 3-1004 Revision: 03/01/05

Lisas Surgery Center
Transaction Information Report

Date Range - Transaction Date From: 03/01/2005 to: 03/01/2005 (Current Month)
Selection Options: Transaction Code = 617

Patient Tx Number	Payer Tx Number	Tx Status	Tx Date	Payer Code	Tx Code	Description	Tx Amount	Acct-Billing #	Pt ID	Pt Name	Phys Code	Physician Name
252	248	Posted	03/01/05	11	617	Charity Discount	1,000.00	20-1	18	Cuervo, Jose	5	Remis, D.

Grand Totals:

Payments (P)	$0.00
Billings (B)	$0.00
Billing Adjustments (A)	$0.00
Secondary Billings (S)	$0.00
Secondary Adjustments (T)	$0.00
Additional Charges (L)	$0.00
Contractual Writeoffs (C)	$0.00
Refunds (R)	$0.00
Other Adjusts (J)	$1,000.00
Bad Debt Write-off (D)	$0.00

11. Self pay patients that do not qualify for a financial hardship waiver should be requested to pay in full at the time of service. These patients may be offered a same day discount (if applicable), see policy ***RCO_02_109: Other Discounts*** (see **Attachments/Links**); however this discount should not be classified as bad debt or charity.

Definitions:

Enforcement:
Any teammate found to have violated this policy may be subject to disciplinary action, up to and including termination of employment.

Business associates found to have violated this policy may be subject to financial penalties, up to and including termination of contract.

SCA policies and procedures are confidential proprietary information that should not be disclosed to individuals outside SCA. All confidential or proprietary information should be protected against theft, loss, and unauthorized disclosure.

Review and Update:
This policy is to be reviewed annually to determine if the policy complies with current regulations and SCA practices. In the event that significant related changes occur, the policy will be reviewed and updated as needed.

Referenced Documentation:

References used within this document that also reside in policyIQ are located and can be accessed via the **"Attachments/Links"** tab.

The following is a listing of the other professional references used in writing or reviewing this policy (e.g. Professional organizations, clinical practice guidelines, CDC recommendations, etc.) or some of the other tools, forms, and techniques used by the department in implementing and enforcing this policy.

- *Health and Human Services*

Contact Information:

If you have questions or concerns regarding this policy, please use the following email link to contact the appropriate business area representative:

policyIQ@scasurgery.com

Reviews and Approvals:

Reviewed by	**Date**
Matthew Warren	08/05/2013
Sher Kadibhai	10/31/2012
Sher Kadibhai	1/28/2014, 9/11/14, 2/5/15, 2/16/2016
Approved by	**Date**
P&P Task Force	07/29/2009

Attachments / Links

Figure 1 (641)

Figure 2 (606)

CMP_01_112: Patient Financial Responsibility and Discount Guidelines [ID: 13878]

RCO_04_110: Cosmetic Cases [ID: 13807]

RCO_02_109: Other Discounts [ID: 13922]

RCO_02_301: Write-Off Approval Form [ID: 14118]

RCO_02_302: Write-Off Approval Form (Hand Written) [ID: 14119]

RCO_03_105: Other Discounts (Surgical Hospital) [ID: 14336]

Financial_Disclosure_Form 2016 (234)

SCA Internal Use Only
ID: 13920

EXHIBIT G

QI Study- Hand Hygiene

I. PURPOSE:

Background:

- Hand hygiene continues to be the most effective way of preventing healthcare associated infections.
- Benefits of proper hand washing include:
  - *Reduced mode of transmission of pathogens from one patient to another via healthcare workers.
  - *Decreases mortality, morbidity and cost associated with healthcare associated infections.

Problem:

Many healthcare facility workers believe that their facilities handwashing compliance is much higher than it truly is. Healthcare workers are expected to wash their hands prior to contact with the patient/equipment/supplies and then following contact with the patient/equipment/supplies. In the third quarter of 2016 our overall wash in compliance was 59 percent and our wash out compliance was 65 percent. We felt that these numbers were too low and needed improvement.

According to the World Health Organization (WHO), even in resource-rich settings hand hygiene compliance levels most frequently fall well below 40 percent.[1] We have found that our hand hygiene compliance rates fall well below a goal that is acceptable to our standards here at our facility.

Purpose:

To improve our staff member's overall awareness of our handwashing audit results and increase our compliance throughout the facility. We will be conducting audits on staff members hand hygiene prior to patient care (wash in) and after patient care (wash out).

II. PERFORMANCE GOAL:

Based on the WHO's 40 percent compliance rate, identified above, we reviewed our third quarter handwashing observation results. In the third quarter of 2016 our overall wash in compliance was 59 percent and our wash out compliance was 65 percent. We felt that these numbers were too low and needed improvement. Based on the WHO's quoted compliance percentage and our own previous compliance levels, we set our initial improvement goal at 70 percent consistently for both washing in and washing out throughout the facility.

III. DATA COLLECTION PLAN:

According to the WHO guidelines, observation is the gold standard for measuring hand hygiene adherence. [2] The observation method involves directly watching hand hygiene behavior and allows you to proactively record hand hygiene.

Baseline data was collected during the third quarter of 2016 (July through September) and analyzed by the Administrator and staff (Figure 1). During this analysis suggestions were made to revise the current observation tool. It was also suggested that education be provided to staff members participating in the observations, to ensure that everyone was performing the observations accurately and consistently.

In October of 2016 a new observation tool was implemented (Figure 2) and education was given to members of the nursing staff on how to properly perform a handwashing observation encounter.

Figure 1.

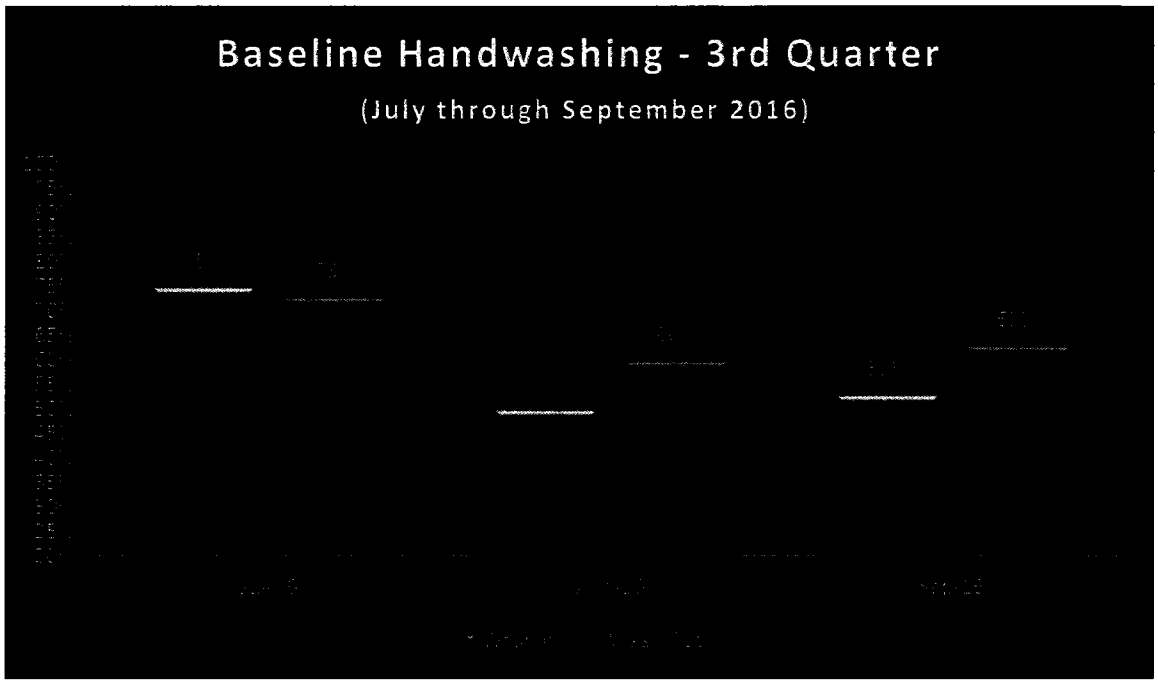


Figure 2.

Hand Hygiene Observation Tool *(photocopy as needed)*

Facility: _____ **Month/Year:** _____

Observer(s): _____

Staff classification examples: Nurse,MD,Facilitator Aide (no names)	Before Patient care/contact or contact with patient environment		After Patient care/contact or after contact with patient environment	
	Yes	No		
			Yes	No
Total				

*A Hand Hygiene Opportunity is defined as a single observation

Please perform 10 staff HH observations before and 10 HH observations after pt care/contact note staff classification only in first column.
20 total observations each month.
Transfer results to HH monthly observation form to monitor compliance progress.

IV. EVIDENCE OF DATA COLLECTION:

A total of forty handwashing observations were conducted per month, twenty observations were performed in the PACU and twenty observations were performed in the OR. These observations were performed both before patient contact and after patient contact. All members of the healthcare team were observed: Anesthesiologists, Certified Registered Nurse Anesthetists, Physicians, Physician's Assistants, Physical Therapy, Registered nurses, patient care assistants, and Surgical Technicians. The audits were random and anonymous.

V. DATA ANALYSIS:

For the six-month period of October 2016 through March 2017 our overall compliance rate for washing in was 70 percent and washing out was 74 percent.

VI. COMPARISON WITH GOALS:

We had set our initial improvement goal at 70 percent compliance consistently for both washing in and washing out throughout the facility.

Based on the above analysis over a six-month period, we were able to meet our overall goal of 70 percent wash in and exceed our wash out goal with a 74 percent compliance rate.

VII. CORRECTIVE ACTION:

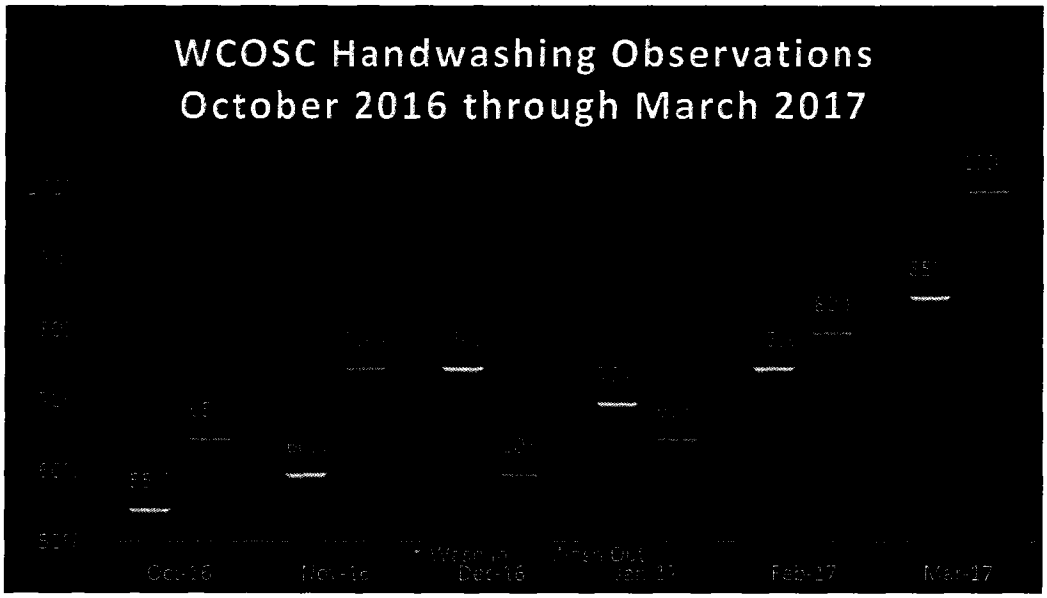
- Prior to the collection of our baseline data, a staff meeting was held on 6/27/16. At that time we discussed our previous hand washing audit results. We discussed barriers to hand washing compliance and brainstormed on ways to improve compliance.

- Handwashing audit results for July and August 2016 were reviewed during the Quality Improvement meeting on 09/07/16. These results were also brought forward to the MAC and GB meetings held on 09/14/16.
- Handwashing audit tool revised and implemented in October 2016.
- Handwashing compliance was discussed with our Infection Control Liaison, Donna Nucci, on 12/13/2016.
- New handwashing posters, created by our Infection Control Nurse, were placed throughout patient care areas.
- Soap and hand sanitizer dispenser evaluations were added to our monthly environmental rounds to ensure that they were in proper working order.
- October 2016 bulletin boards in PACU and staff lounge were dedicated to hand hygiene education and previous month's handwashing audit results were posted.
- Campaign was started to encourage all staff members to hold one another responsible for proper hand hygiene; see something, say something!

VIII. RE-MEASUREMENT:

After implementation of the above corrective actions, the subsequent six-month period of October 2016 through March 2017 was analyzed (Figure 3). Our overall compliance rate for washing in was 70 percent and washing out was 74 percent. These results had us meeting our washing in goal and exceeding our washing out goal of 70 percent.

Figure 3.



IX: ADDITIONAL COORECTIVE ACTIONS:

We are happy to have reached our initial goal of 70 percent overall compliance of washing in and washing out over the six-month period. We have consistently improved in our monthly results during this time period as well. We will increase our goal over the next six-month period

to 80 percent compliance. We will continue to hold meetings, assess data, and hold staff members accountable.

X: COMMUNICATION AND EDUCATION:

- Monthly display of previous month's handwashing results on bulletin boards in PACU and staff lounge.
- Results of this study will be reviewed by the Quality Improvement Committee on 04/13/2017.
- Results will be presented to the MAC and Governing Board on June 8, 2017.

References:

[1]Evidence for Hand Hygiene Guidelines. (n.d.). Retrieved April 12, 2017, from http://www.who.int/gpsc/tools/faqs/evidence_hand)hygiene/en/

[2]World Health Organization (WHO): WHO Guidelines on Hand Hygiene in Health Care (Advanced Draft): A Summary. Geneva, Switzerland: WHO, 2006. 2. Institute for Healthcare Improvement (IHI): How-to Guide

EXHIBIT H

SCA Quality Index 2017

- Consolidated Quality Metric
- Points based metric, published quarterly, with stack ranking
- ASCs: Multi-specialty, GI, and Eye
- SCA and industry results used as benchmarks
- ASC QC, PHA, and NQF endorsed clinical outcome and process metrics
- 2017 emphasis on specialty specific outcomes & patient experience

Component	ASC Points	SH Points
Accreditation & Regulatory Survey Performance	20	10
Patient Satisfaction	30	20
Patient Outcomes	50	70
TOTAL	100	100

EXHIBIT I

Applicant Name: Western CT Orthopedic Surgery Center

Financial Worksheet (B)

FOR-PROFIT

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

OSC000351 06/29/2017

LINE	Total Entity:	(1) FY 2015 Actual Results	FY 2016 Actual Results	(2) FY 2017 Projected W/out CON	(3) FY 2017 Projected Incremental	(4) FY 2017 Projected With CON	(5) FY 2018 Projected W/out CON	(6) FY 2018 Projected Incremental	(7) FY 2018 Projected With CON	(8) FY 2019 Projected W/out CON	(9) FY 2019 Projected Incremental	(10) FY 2019 Projected With CON	(11) FY 2020 Projected W/out CON	(12) FY 2020 Projected Incremental	(13) FY 2020 Projected With CON
	Description														
A.	**OPERATING REVENUE**														
1	Total Gross Patient Revenue	$11,719,798	$11,655,220	$12,791,142	$0	$12,791,142	$12,983,009	$0	$12,983,009	$13,177,754	$0	$13,177,754	$13,375,421	$0	$13,375,421
2	Less: Allowances	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
3	Less: Charity Care	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
4	Less: Other Deductions	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
	Net Patient Service Revenue	**$11,719,798**	**$11,655,220**	**$12,791,142**	**$0**	**$12,791,142**	**$12,983,009**	**$0**	**$12,983,009**	**$13,177,754**	**$0**	**$13,177,754**	**$13,375,421**	**$0**	**$13,375,421**
5	Medicare	$985,962	$988,694	$1,085,053	$0	$1,085,053	$1,101,328	$0	$1,101,328	$1,117,848	$0	$1,117,848	$1,134,616	$0	$1,134,616
6	Medicaid	$3,917	$3,799	$4,169	$0	$4,169	$4,232	$0	$4,232	$4,295	$0	$4,295	$4,360	$0	$4,360
7	CHAMPUS & TriCare	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
8	Other	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
	Total Government	**$989,879**	**$992,493**	**$1,089,222**	**$0**	**$1,089,222**	**$1,105,560**	**$0**	**$1,105,560**	**$1,122,144**	**$0**	**$1,122,144**	**$1,138,976**	**$0**	**$1,138,976**
9	Commercial Insurers	$8,162,234	$8,346,366	$9,159,806	$0	$9,159,806	$9,297,203	$0	$9,297,203	$9,436,661	$0	$9,436,661	$9,578,211	$0	$9,578,211
10	Uninsured	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
11	Self Pay	$27,710	$29,509	$32,384	$0	$32,384	$32,870	$0	$32,870	$33,363	$0	$33,363	$33,864	$0	$33,864
12	Workers Compensation	2,539,975	$2,286,853	$2,509,730	$0	$2,509,730	$2,547,376	$0	$2,547,376	$2,585,587	$0	$2,585,587	$2,624,370	$0	$2,624,370
13	Other	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
	Total Non-Government	**$10,729,919**	**$10,662,727**	**$11,701,920**	**$0**	**$11,701,920**	**$11,877,449**	**$0**	**$11,877,449**	**$12,055,611**	**$0**	**$12,055,611**	**$12,236,445**	**$0**	**$12,236,445**
	Net Patient Service Revenue[a] (Government+Non-Government)	**$11,719,798**	**$11,655,220**	**$12,791,142**	**$0**	**$12,791,142**	**$12,983,009**	**$0**	**$12,983,009**	**$13,177,754**	**$0**	**$13,177,754**	**$13,375,421**	**$0**	**$13,375,421**
14	Less: Provision for Bad Debts	$0	$0	$191,874	$0	$191,874	$194,752	$0	$194,752	$197,673	$0	$197,673	$200,638	$0	$200,638
	Net Patient Service Revenue less provision for bad debts	**$11,719,798**	**$11,655,220**	**$12,599,268**	**$0**	**$12,599,268**	**$12,788,257**	**$0**	**$12,788,257**	**$12,980,081**	**$0**	**$12,980,081**	**$13,174,782**	**$0**	**$13,174,782**
15	Other Operating Revenue	$3,578	$551	$481	$0	$481	$488	$0	$488	$496	$0	$496	$503	$0	$503
17	Net Assets Released from Restrictions	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
	TOTAL OPERATING REVENUE	**$11,723,376**	**$11,655,771**	**$12,599,749**	**$0**	**$12,599,749**	**$12,788,745**	**$0**	**$12,788,745**	**$12,980,576**	**$0**	**$12,980,576**	**$13,175,285**	**$0**	**$13,175,285**
B.	**OPERATING EXPENSES**														
1	Salaries and Wages	$1,804,931	$1,836,722	$2,169,506	$0	$2,169,506	$2,202,049	$0	$2,202,049	$2,235,080	$0	$2,235,080	$2,268,606	$0	$2,268,606
2	Fringe Benefits	$298,868	$304,132	$359,236	$0	$359,236	$364,624	$0	$364,624	$370,094	$0	$370,094	$375,645	$0	$375,645
3	Physicians Fees	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
4	Supplies and Drugs	$2,796,601	$2,237,922	$2,830,051	$0	$2,830,051	$2,872,502	$0	$2,872,502	$2,915,589	$0	$2,915,589	$2,959,323	$0	$2,959,323
5	Depreciation and Amortization	$985,188	$553,862	$573,090	$0	$573,090	$581,686	$0	$581,686	$590,412	$0	$590,412	$599,268	$0	$599,268
6	Provision for Bad Debts-Other[b]	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
7	Interest Expense	$254,533	$228,984	$239,512	$0	$239,512	$243,105	$0	$243,105	$246,751	$0	$246,751	$250,453	$0	$250,453
8	Malpractice Insurance Cost	$9,675	$9,675	$11,444	$0	$11,444	$11,616	$0	$11,616	$11,790	$0	$11,790	$11,967	$0	$11,967
9	Lease Expense	$424,667	$364,000	$364,000	$0	$364,000	$369,460	$0	$369,460	$375,002	$0	$375,002	$380,627	$0	$380,627
10	Other Operating Expenses	$884,979	$1,540,469	$2,122,159	$0	$2,122,159	$2,153,992	$0	$2,153,992	$2,186,301	$0	$2,186,301	$2,219,096	$0	$2,219,096
	TOTAL OPERATING EXPENSES	**$7,459,442**	**$7,075,766**	**$8,668,998**	**$0**	**$8,668,998**	**$8,799,033**	**$0**	**$8,799,033**	**$8,931,019**	**$0**	**$8,931,019**	**$9,064,984**	**$0**	**$9,064,984**
	INCOME/(LOSS) FROM OPERATIONS	**$4,263,934**	**$4,580,006**	**$3,930,751**	**$0**	**$3,930,751**	**$3,989,712**	**$0**	**$3,989,712**	**$4,049,558**	**$0**	**$4,049,558**	**$4,110,301**	**$0**	**$4,110,301**
	NON-OPERATING INCOME	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
	Income before provision for income taxes	**$4,263,934**	**$4,580,006**	**$3,930,751**	**$0**	**$3,930,751**	**$3,989,712**	**$0**	**$3,989,712**	**$4,049,558**	**$0**	**$4,049,558**	**$4,110,301**	**$0**	**$4,110,301**
	Provision for income taxes	**$0**	**$0**	$0	$0	**$0**	$0	$0	**$0**	$0	$0	**$0**	$0	$0	**$0**
	NET INCOME	**$4,263,934**	**$4,580,006**	**$3,930,751**	**$0**	**$3,930,751**	**$3,989,712**	**$0**	**$3,989,712**	**$4,049,558**	**$0**	**$4,049,558**	**$4,110,301**	**$0**	**$4,110,301**
C.	**Retained Earnings, beginning of year**	**($1,422,189)**	**($1,422,189)**	**$3,826,933**	**$0**	**$3,826,933**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	$0	**$0**	**$0**
	Retained Earnings, end of year	**($1,422,189)**	**$3,826,933**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	$0	**$0**	**$0**
	Principal Payments	$206,734	$844,590	$1,117,850	$0	**$1,117,850**	$1,170,405	$0	**$1,170,405**	$1,225,431	$0	**$1,225,431**	$1,283,043	$0	**$1,283,043**
D.	**PROFITABILITY SUMMARY**														
1	Hospital Operating Margin	**36.4%**	**39.3%**	**31.2%**	**0.0%**	**31.2%**	**31.2%**	**0.0%**	**31.2%**	**31.2%**	**0.0%**	**31.2%**	**31.2%**	**0.0%**	**31.2%**
2	Hospital Non Operating Margin	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**
3	Hospital Total Margin	**36.4%**	**39.3%**	**31.2%**	**0.0%**	**31.2%**	**31.2%**	**0.0%**	**31.2%**	**31.2%**	**0.0%**	**31.2%**	**31.2%**	**0.0%**	**31.2%**
E.	FTEs	25	25	25	0	25	25	0	25	25	0	25	25	0	25

FOR-PROFIT

Applicant Name: Western CT Orthopedic Surgery Center
Financial Worksheet (B)

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

LINE	Total Entity:	(1) FY 2015 Actual	FY 2016 Actual	(2) FY 2017 Projected	(3) FY 2017 Projected	(4) FY 2017 Projected	(5) FY 2018 Projected	(6) FY 2018 Projected	(7) FY 2018 Projected	(8) FY 2019 Projected	(9) FY 2019 Projected	(10) FY 2019 Projected	(11) FY 2020 Projected	(12) FY 2020 Projected	(13) FY 2020 Projected
	Description	Results	Results	W/out CON	Incremental	With CON	W/out CON	Incremental	With CON	W/out CON	Incremental	With CON	W/out CON	Incremental	With CON
	F. VOLUME STATISTICS[d]														
1	Inpatient Discharges	0	0	0	0	**0**	0	0	**0**	0	0	**0**	0	0	**0**
2	Outpatient Visits	2,384	2,805	3,335	0	**3,335**	3,385	0	**3,385**	3,436	0	**3,436**	3,487	0	**3,487**
	TOTAL VOLUME	**2,384**	2,805	**3,335**	**0**	**3,335**	**3,385**	**0**	**3,385**	**3,436**	**0**	**3,436**	**3,487**	**0**	**3,487**

[a] Total amount should equal the total amount on cell line "Net Patient Revenue" Row 14.
[b] Provide the amount of any transaction associated with Bad Debts not related to the provision of direct services to patients. For additional information, refer to FASB, No.2011-07, July 2011.
[c] Provide the amount of income taxes as defined by the Internal Revenue Services for for-profit entities.
[d] Provide projected inpatient and/or outpatient statistics for any new services and provide actual and projected inpatient and/or outpatient statistics for any existing services which will change due to the proposal.

EXHIBIT J

Western Connecticut Orthopedic Surgical Center, LLC
Profit & Loss
January through December 2016

	Jan 16	Feb 16	Mar 16
Ordinary Income/Expense			
Income			
46200 · Nonmedical Income			
46201 · Interest Income	43.76	96.20	89.90
Total 46200 · Nonmedical Income	43.76	96.20	89.90
47300 · Income			
47301 · Refunds	-255.72	-225.00	-1,000.00
47302 · Revenue	1,136,869.21	1,722,112.13	1,331,942.27
47303 · Other	0.00	0.00	0.00
Total 47300 · Income	1,136,613.49	1,721,887.13	1,330,942.27
Total Income	1,136,657.25	1,721,983.33	1,331,032.17
Gross Profit	1,136,657.25	1,721,983.33	1,331,032.17
Expense			
60000 · Advertising and Promotion	12,631.68	250.00	0.00
600100 · Contribution	0.00	2,150.00	0.00
60400 · Bank Service Charges			
60401 · Bank Service Chgs-Merchant Fees	532.09	776.32	0.00
60400 · Bank Service Charges - Other	189.43	193.59	283.35
Total 60400 · Bank Service Charges	721.52	969.91	283.35
61300 · Employee Compensation			
61301 · Admin			
61302 · Salaries (Net)	0.00	67,156.96	0.00
61301 · Admin - Other	5,596.02	0.00	0.00
Total 61301 · Admin	5,596.02	67,156.96	0.00
61307 · Continuing Education	1,151.26	242.54	128.28
61300 · Employee Compensation - Other	135,125.96	55,387.25	134,909.69
Total 61300 · Employee Compensation	141,873.24	122,786.75	135,037.97
61500 · Employees-EE Related Exp			
61501 · Payroll Taxes FICA EE	9,938.26	9,018.69	9,944.18
61502 · Payroll Taxes SUI EE	4,457.02	3,183.30	3,902.50
61503 · Payroll Taxes FUI EE	5,267.74	267.93	103.27
61504 · Insurance Medical Premiums	4,033.68	837.82	1,812.64
61505 · Insurance Medical Claims	13,776.01	0.00	12,955.16
61506 · Insurance Life	0.00	0.00	723.32
61507 · Work Comp Ins EE	1,112.49	1,112.49	1,112.49
61508 · Group Disability EE	0.00	0.00	4,453.89
61510 · Profit Sharing Contributions E	0.00	0.00	0.00
61511 · PSP Retirement Expenses	643.75	0.00	0.00
61515 · LTD,AD&D, Life Insurance	0.00	0.00	0.00
61516 · Profit Sharing 401K Match EE	1,152.36	2,164.68	1,894.29
61517 · Employee Expense-Misc	0.00	0.00	85.25
61518 · PSP Contributions Prior Year	0.00	0.00	0.00
Total 61500 · Employees-EE Related Exp	40,381.31	16,584.91	36,986.99
63300 · Insurance Expense			
63303 · Commercial/Property	580.35	580.35	1,633.69

Western Connecticut Orthopedic Surgical Center, LLC
Profit & Loss
January through December 2016

	Jan 16	Feb 16	Mar 16
63306 · Professional Liability	0.00	0.00	2,418.75
63300 · Insurance Expense - Other	394.23	1,397.75	1,397.75
Total 63300 · Insurance Expense	974.58	1,978.10	5,450.19
63400 · Interest Expense	20,888.23	20,628.83	19,046.19
63500 · General Supplies			
63501 · Cleaning Supplies	1,050.79	0.00	748.07
Total 63500 · General Supplies	1,050.79	0.00	748.07
64300 · Meals and Entertainment	0.00	0.00	137.73
64400 · Clinical Expense			
64401 · Medical Supplies			
64403 · Implants	142,209.84	125,401.88	203,709.24
64404 · Instruments	8,348.73	12,026.91	1,443.65
64405 · Drugs & Anesthesia Supplies	19,385.73	23,023.66	21,414.14
64408 · Surgical	0.00	0.00	0.00
64409 · Medical Supplies-Other	0.00	0.00	0.00
64401 · Medical Supplies - Other	81,634.71	43,932.69	58,938.37
Total 64401 · Medical Supplies	251,579.01	204,385.14	285,505.40
64412 · Laundry	4,589.26	5,366.98	3,791.81
64413 · Small Medical Equipment	0.00	0.00	443.53
64414 · Equipment Expense			
64415 · Equipment Lease	2,133.04	2,133.04	2,133.04
64416 · Equipment Repair & Maintenance	1,555.30	1,396.64	17,616.53
64417 · Equipment Maintenance Contract	0.00	0.00	2,814.30
64414 · Equipment Expense - Other	0.00	0.00	0.00
Total 64414 · Equipment Expense	3,688.34	3,529.68	22,563.87
64418 · Medical Gases	1,583.80	1,070.40	810.13
64420 · Med Waste Disposal	2,225.11	2,255.11	2,195.11
Total 64400 · Clinical Expense	263,665.52	216,607.31	315,309.85
64900 · General & Administrative			
64903 · Dues and Subscriptions	174.00	150.00	1,754.52
64905 · Meals and Entertainment	887.14	561.80	965.98
64907 · Business Forms	0.00	0.00	0.00
64909 · Office Expense	6,491.37	810.96	835.87
64910 · Office Supplies	3,887.21	4,559.71	3,509.37
64911 · Computer Supplies	0.00	0.00	0.00
64912 · Postage and Freight	1,318.05	1,971.52	2,720.77
64913 · Cleaning	4,253.20	6,645.20	4,253.20
64914 · IT Services			
64915 · Computer Services	280.95	131.95	131.95
64916 · Computer Support	3,000.00	3,199.41	7,685.11
64914 · IT Services - Other	0.00	565.45	652.85
Total 64914 · IT Services	3,280.95	3,896.81	8,469.91
64919 · Printing & Production	558.30	371.03	777.80
64920 · Reference Materials	441.56	0.00	5.33
64922 · Transcription	2,965.63	0.00	0.00

Western Connecticut Orthopedic Surgical Center, LLC
Profit & Loss
January through December 2016

	Jan 16	Feb 16	Mar 16
Total 64900 · General & Administrative	24,257.41	18,967.03	23,292.75
66000 · Payroll Expenses			
66002 · Payroll Processing	623.03	77.10	669.52
66000 · Payroll Expenses - Other	0.00	0.00	0.00
Total 66000 · Payroll Expenses	623.03	77.10	669.52
66700 · Professional Fees			
66702 · Claims Mngmt/Billing/Collection	580.15	124.00	2,620.80
66704 · Consulting	8,073.00	7,088.00	17,044.00
66705 · Legal	15,675.87	0.00	0.00
66706 · Accounting Services	0.00	0.00	0.00
66700 · Professional Fees - Other	0.00	0.00	542.43
Total 66700 · Professional Fees	24,329.02	7,212.00	20,207.23
68500 · Outside Services	2,137.87	1,505.57	1,132.99
68600 · Occupancy Expense			
68601 · Utilities			
68602 · Utilities-Water	0.00	0.00	0.00
68603 · Utilities-Electric	5,859.45	6,578.68	6,616.77
68604 · Utilities-Gas	417.86	475.98	664.00
68605 · Utilities-Cable	238.40	238.40	238.40
68606 · Utilities-Garbage	0.00	0.00	19,398.86
68607 · Utilities-Telephone/Internet	1,776.75	166.54	550.30
Total 68601 · Utilities	8,292.46	7,459.60	27,468.33
68610 · Repairs and Maintenance	1,414.58	13,863.53	3,404.54
68612 · Rent Expense	30,333.33	30,333.33	30,333.33
68614 · Corporate Taxes	0.00	0.00	0.00
68615 · Property Taxes	0.00	0.00	9,929.96
68600 · Occupancy Expense - Other	0.00	0.00	0.00
Total 68600 · Occupancy Expense	40,040.37	51,656.46	71,136.16
Total Expense	573,574.57	461,373.97	629,438.99
Net Ordinary Income	563,082.68	1,260,609.36	701,593.18
Other Income/Expense			
Other Expense			
CT GROSS RECEIPTS TAX	117,561.00	0.00	0.00
Total Other Expense	117,561.00	0.00	0.00
Net Other Income	-117,561.00	0.00	0.00
	445,521.68	**1,260,609.36**	**701,593.18**

Western Connecticut Orthopedic Surgical Center, LLC
Profit & Loss
January through December 2016

	Apr 16	May 16	Jun 16
Ordinary Income/Expense			
Income			
46200 · Nonmedical Income			
46201 · Interest Income	70.13	38.51	25.96
Total 46200 · Nonmedical Income	70.13	38.51	25.96
47300 · Income			
47301 · Refunds	-97.34	-29,397.68	-2,984.75
47302 · Revenue	1,106,013.69	715,318.83	906,562.92
47303 · Other	0.00	0.00	0.00
Total 47300 · Income	1,105,916.35	685,921.15	903,578.17
Total Income	1,105,986.48	685,959.66	903,604.13
Gross Profit	1,105,986.48	685,959.66	903,604.13
Expense			
60000 · Advertising and Promotion	378.75	0.00	242.06
600100 · Contribution	0.00	0.00	0.00
60400 · Bank Service Charges			
60401 · Bank Service Chgs-Merchant Fees	1,139.38	1,704.94	1,221.99
60400 · Bank Service Charges - Other	185.99	184.39	181.51
Total 60400 · Bank Service Charges	1,325.37	1,889.33	1,403.50
61300 · Employee Compensation			
61301 · Admin			
61302 · Salaries (Net)	10,512.67	0.00	0.00
61301 · Admin - Other	0.00	0.00	0.00
Total 61301 · Admin	10,512.67	0.00	0.00
61307 · Continuing Education	142.82	57.42	57.42
61300 · Employee Compensation - Other	125,780.15	130,172.29	137,107.54
Total 61300 · Employee Compensation	136,435.64	130,229.71	137,164.96
61500 · Employees-EE Related Exp			
61501 · Payroll Taxes FICA EE	9,245.76	9,563.12	10,062.74
61502 · Payroll Taxes SUI EE	994.49	987.86	690.79
61503 · Payroll Taxes FUI EE	36.73	111.03	57.67
61504 · Insurance Medical Premiums	1,850.60	3,125.76	2,699.48
61505 · Insurance Medical Claims	16,751.21	22,671.14	2,367.80
61506 · Insurance Life	227.14	0.00	4.15
61507 · Work Comp Ins EE	1,112.49	0.00	1,160.71
61508 · Group Disability EE	1,447.01	0.00	26.03
61510 · Profit Sharing Contributions E	15,245.69	0.00	-1,537.99
61511 · PSP Retirement Expenses	0.00	0.00	0.00
61515 · LTD,AD&D, Life Insurance	0.00	0.00	738.96
61516 · Profit Sharing 401K Match EE	1,381.22	1,029.32	2,606.27
61517 · Employee Expense-Misc	0.00	0.00	0.00
61518 · PSP Contributions Prior Year	560.58	0.00	-560.58
Total 61500 · Employees-EE Related Exp	48,852.92	37,488.23	18,316.03
63300 · Insurance Expense			
63303 · Commercial/Property	0.00	687.25	0.00

Western Connecticut Orthopedic Surgical Center, LLC
Profit & Loss
January through December 2016

	Apr 16	May 16	Jun 16
63306 · Professional Liability	0.00	0.00	0.00
63300 · Insurance Expense - Other	944.45	1,097.37	1,338.09
Total 63300 · Insurance Expense	944.45	1,784.62	1,338.09
63400 · Interest Expense	20,075.55	19,174.02	19,538.36
63500 · General Supplies			
63501 · Cleaning Supplies	1,256.26	1,108.31	0.00
Total 63500 · General Supplies	1,256.26	1,108.31	0.00
64300 · Meals and Entertainment	0.00	245.67	0.00
64400 · Clinical Expense			
64401 · Medical Supplies			
64403 · Implants	106,569.53	62,839.36	137,823.50
64404 · Instruments	15,670.15	16,520.76	6,921.65
64405 · Drugs & Anesthesia Supplies	15,848.62	12,324.85	17,024.09
64408 · Surgical	0.00	0.00	0.00
64409 · Medical Supplies-Other	168.25	0.00	462.26
64401 · Medical Supplies - Other	60,288.00	53,272.06	54,930.40
Total 64401 · Medical Supplies	198,544.55	144,957.03	217,161.90
64412 · Laundry	5,384.68	4,354.93	5,058.40
64413 · Small Medical Equipment	0.00	0.00	0.00
64414 · Equipment Expense			
64415 · Equipment Lease	2,133.04	2,133.04	2,133.04
64416 · Equipment Repair & Maintenance	3,699.49	2,222.48	3,500.55
64417 · Equipment Maintenance Contract	0.00	4,800.00	0.00
64414 · Equipment Expense - Other	1,229.67	0.00	243.00
Total 64414 · Equipment Expense	7,062.20	9,155.52	5,876.59
64418 · Medical Gases	978.21	802.38	937.10
64420 · Med Waste Disposal	2,225.11	0.00	4,450.22
Total 64400 · Clinical Expense	214,194.75	159,269.86	233,484.21
64900 · General & Administrative			
64903 · Dues and Subscriptions	0.00	427.81	671.00
64905 · Meals and Entertainment	642.47	588.69	936.11
64907 · Business Forms	0.00	0.00	0.00
64909 · Office Expense	230.54	1,414.74	842.17
64910 · Office Supplies	2,577.32	3,543.17	2,278.74
64911 · Computer Supplies	995.44	24.46	218.02
64912 · Postage and Freight	1,235.14	1,469.32	806.62
64913 · Cleaning	4,253.20	4,253.20	4,253.20
64914 · IT Services			
64915 · Computer Services	906.69	706.49	4,382.06
64916 · Computer Support	3,000.00	3,000.00	3,000.00
64914 · IT Services - Other	11,675.65	131.95	2,901.50
Total 64914 · IT Services	15,582.34	3,838.44	10,283.56
64919 · Printing & Production	503.89	0.00	529.60
64920 · Reference Materials	0.00	0.00	0.00
64922 · Transcription	2,924.63	3,300.00	0.00

Western Connecticut Orthopedic Surgical Center, LLC
Profit & Loss
January through December 2016

	Apr 16	May 16	Jun 16
Total 64900 · General & Administrative	28,944.97	18,859.83	20,819.02
66000 · Payroll Expenses			
66002 · Payroll Processing	74.41	436.03	152.35
66000 · Payroll Expenses - Other	0.00	1,373.93	0.00
Total 66000 · Payroll Expenses	74.41	1,809.96	152.35
66700 · Professional Fees			
66702 · Claims Mngmt/Billing/Collection	123.30	3,550.76	0.00
66704 · Consulting	7,728.17	0.00	5,808.24
66705 · Legal	103.75	0.00	0.00
66706 · Accounting Services	4,250.00	0.00	382.80
66700 · Professional Fees - Other	0.00	0.00	0.00
Total 66700 · Professional Fees	12,205.22	3,550.76	6,191.04
68500 · Outside Services	290.57	714.90	346.38
68600 · Occupancy Expense			
68601 · Utilities			
68602 · Utilities-Water	2,845.62	0.00	0.00
68603 · Utilities-Electric	5,994.75	6,653.50	6,601.26
68604 · Utilities-Gas	517.15	370.96	260.08
68605 · Utilities-Cable	238.40	238.40	238.40
68606 · Utilities-Garbage	0.00	0.00	0.00
68607 · Utilities-Telephone/Internet	506.43	0.00	168.42
Total 68601 · Utilities	10,102.35	7,262.86	7,268.16
68610 · Repairs and Maintenance	20,594.66	4,713.24	4,718.51
68612 · Rent Expense	30,333.33	30,333.33	30,333.33
68614 · Corporate Taxes	0.00	0.00	0.00
68615 · Property Taxes	0.00	0.00	0.00
68600 · Occupancy Expense - Other	0.00	0.00	0.00
Total 68600 · Occupancy Expense	61,030.34	42,309.43	42,320.00
Total Expense	526,009.20	418,434.63	481,316.00
Net Ordinary Income	579,977.28	267,525.03	422,288.13
Other Income/Expense			
Other Expense			
CT GROSS RECEIPTS TAX	251,367.00	0.00	0.00
Total Other Expense	251,367.00	0.00	0.00
Net Other Income	-251,367.00	0.00	0.00
	328,610.28	**267,525.03**	**422,288.13**

Western Connecticut Orthopedic Surgical Center, LLC
Profit & Loss
January through December 2016

	Jul 16	Aug 16	Sep 16
Ordinary Income/Expense			
Income			
46200 · Nonmedical Income			
46201 · Interest Income	33.62	29.18	23.86
Total 46200 · Nonmedical Income	33.62	29.18	23.86
47300 · Income			
47301 · Refunds	-2,025.39	-1,591.41	-3,095.08
47302 · Revenue	650,990.32	843,488.58	670,782.39
47303 · Other	0.00	0.00	0.00
Total 47300 · Income	648,964.93	841,897.17	667,687.31
Total Income	648,998.55	841,926.35	667,711.17
Gross Profit	648,998.55	841,926.35	667,711.17
Expense			
60000 · Advertising and Promotion	0.00	1,206.10	230.43
600100 · Contribution	0.00	0.00	0.00
60400 · Bank Service Charges			
60401 · Bank Service Chgs-Merchant Fees	2,388.11	670.01	0.00
60400 · Bank Service Charges - Other	124.64	182.40	972.20
Total 60400 · Bank Service Charges	2,512.75	852.41	972.20
61300 · Employee Compensation			
61301 · Admin			
61302 · Salaries (Net)	12,110.84	0.00	0.00
61301 · Admin - Other	0.00	0.00	0.00
Total 61301 · Admin	12,110.84	0.00	0.00
61307 · Continuing Education	1,652.86	57.42	62.96
61300 · Employee Compensation - Other	130,670.11	204,481.89	130,518.77
Total 61300 · Employee Compensation	144,433.81	204,539.31	130,581.73
61500 · Employees-EE Related Exp			
61501 · Payroll Taxes FICA EE	9,549.47	14,949.08	9,538.19
61502 · Payroll Taxes SUI EE	447.34	346.22	155.01
61503 · Payroll Taxes FUI EE	25.44	31.26	26.61
61504 · Insurance Medical Premiums	3,309.73	4,082.39	3,968.30
61505 · Insurance Medical Claims	9,882.29	26,041.38	8,089.94
61506 · Insurance Life	186.24	215.39	290.39
61507 · Work Comp Ins EE	2,310.43	0.00	0.00
61508 · Group Disability EE	1,169.41	1,362.24	1,907.31
61510 · Profit Sharing Contributions E	7,331.58	0.00	0.00
61511 · PSP Retirement Expenses	0.00	643.00	828.80
61515 · LTD,AD&D, Life Insurance	0.00	0.00	0.00
61516 · Profit Sharing 401K Match EE	1,946.07	3,761.71	3,663.38
61517 · Employee Expense-Misc	0.00	0.00	0.00
61518 · PSP Contributions Prior Year	0.00	0.00	0.00
Total 61500 · Employees-EE Related Exp	36,158.00	51,432.67	28,467.93
63300 · Insurance Expense			
63303 · Commercial/Property	0.00	1,702.00	718.00

Western Connecticut Orthopedic Surgical Center, LLC
Profit & Loss
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	Jul 16	Aug 16	Sep 16
63306 · Professional Liability	0.00	2,418.75	4,837.50
63300 · Insurance Expense - Other	1,639.68	1,031.66	1,031.66
Total 63300 · Insurance Expense	1,639.68	5,152.41	6,587.16
63400 · Interest Expense	18,643.54	18,988.12	18,712.59
63500 · General Supplies			
63501 · Cleaning Supplies	2,104.46	870.76	286.88
Total 63500 · General Supplies	2,104.46	870.76	286.88
64300 · Meals and Entertainment	0.00	0.00	150.44
64400 · Clinical Expense			
64401 · Medical Supplies			
64403 · Implants	29,947.68	88,684.60	119,914.62
64404 · Instruments	7,094.58	18,148.30	8,748.13
64405 · Drugs & Anesthesia Supplies	0.00	12,632.75	17,223.37
64408 · Surgical	0.00	0.00	0.00
64409 · Medical Supplies-Other	167.72	0.00	0.00
64401 · Medical Supplies - Other	131.54	59,985.79	49,636.65
Total 64401 · Medical Supplies	37,341.52	179,451.44	195,522.77
64412 · Laundry	2,615.84	6,600.96	4,788.89
64413 · Small Medical Equipment	0.00	0.00	0.00
64414 · Equipment Expense			
64415 · Equipment Lease	2,133.04	2,133.04	2,415.88
64416 · Equipment Repair & Maintenance	303.10	831.70	2,545.49
64417 · Equipment Maintenance Contract	0.00	0.00	0.00
64414 · Equipment Expense - Other	0.00	0.00	0.00
Total 64414 · Equipment Expense	2,436.14	2,964.74	4,961.37
64418 · Medical Gases	0.00	0.00	935.20
64420 · Med Waste Disposal	2,225.11	2,225.11	0.00
Total 64400 · Clinical Expense	44,618.61	191,242.25	206,208.23
64900 · General & Administrative			
64903 · Dues and Subscriptions	0.00	247.05	149.00
64905 · Meals and Entertainment	164.19	1,204.31	320.51
64907 · Business Forms	0.00	0.00	0.00
64909 · Office Expense	876.16	187.13	167.11
64910 · Office Supplies	2,419.99	3,358.34	2,909.16
64911 · Computer Supplies	0.00	0.00	0.00
64912 · Postage and Freight	1,729.85	1,524.51	295.90
64913 · Cleaning	4,253.20	8,506.40	0.00
64914 · IT Services			
64915 · Computer Services	559.03	1,136.96	318.07
64916 · Computer Support	0.00	3,000.00	3,000.00
64914 · IT Services - Other	0.00	11,334.64	1,115.10
Total 64914 · IT Services	559.03	15,471.60	4,433.17
64919 · Printing & Production	408.10	424.94	221.21
64920 · Reference Materials	0.00	12.38	232.75
64922 · Transcription	0.00	11,511.63	2,284.00

Western Connecticut Orthopedic Surgical Center, LLC
Profit & Loss
January through December 2016

	Jul 16	Aug 16	Sep 16
Total 64900 · General & Administrative	10,410.52	42,448.29	11,012.81
66000 · Payroll Expenses			
66002 · Payroll Processing	441.01	78.49	269.16
66000 · Payroll Expenses - Other	0.00	0.00	462.95
Total 66000 · Payroll Expenses	441.01	78.49	732.11
66700 · Professional Fees			
66702 · Claims Mngmt/Billing/Collection	1,522.95	372.00	124.00
66704 · Consulting	3,442.17	3,870.63	8,856.13
66705 · Legal	2,228.93	0.00	0.00
66706 · Accounting Services	0.00	0.00	0.00
66700 · Professional Fees - Other	0.00	255.00	0.00
Total 66700 · Professional Fees	7,194.05	4,497.63	8,980.13
68500 · Outside Services	1,811.28	287.57	287.57
68600 · Occupancy Expense			
68601 · Utilities			
68602 · Utilities-Water	3,422.26	0.00	0.00
68603 · Utilities-Electric	364.02	6,817.92	8,124.07
68604 · Utilities-Gas	0.00	186.84	190.86
68605 · Utilities-Cable	238.40	238.40	238.40
68606 · Utilities-Garbage	0.00	0.00	0.00
68607 · Utilities-Telephone/Internet	168.51	172.13	168.62
Total 68601 · Utilities	4,193.19	7,415.29	8,721.95
68610 · Repairs and Maintenance	1,718.72	3,548.26	1,926.74
68612 · Rent Expense	30,333.33	30,333.33	0.00
68614 · Corporate Taxes	0.00	82.60	0.00
68615 · Property Taxes	0.00	15,165.68	0.00
68600 · Occupancy Expense - Other	0.00	0.00	0.00
Total 68600 · Occupancy Expense	36,245.24	56,545.16	10,648.69
Total Expense	306,212.95	578,141.17	423,858.90
Net Ordinary Income	342,785.60	263,785.18	243,852.27
Other Income/Expense			
Other Expense			
CT GROSS RECEIPTS TAX	161,725.00	0.00	0.00
Total Other Expense	161,725.00	0.00	0.00
Net Other Income	-161,725.00	0.00	0.00
	181,060.60	**263,785.18**	**243,852.27**

Western Connecticut Orthopedic Surgical Center, LLC
Profit & Loss
January through December 2016

	Oct 16	Nov 16	Dec 16
Ordinary Income/Expense			
Income			
46200 · Nonmedical Income			
46201 · Interest Income	33.90	34.18	32.27
Total 46200 · Nonmedical Income	33.90	34.18	32.27
47300 · Income			
47301 · Refunds	-28,191.49	-15,254.45	-28,479.71
47302 · Revenue	812,316.40	884,776.46	983,093.79
47303 · Other	0.00	0.00	3,000.00
Total 47300 · Income	784,124.91	869,522.01	957,614.08
Total Income	784,158.81	869,556.19	957,646.35
Gross Profit	784,158.81	869,556.19	957,646.35
Expense			
60000 · Advertising and Promotion	0.00	621.45	266.64
600100 · Contribution	0.00	0.00	0.00
60400 · Bank Service Charges			
60401 · Bank Service Chgs-Merchant Fees	0.00	0.00	0.00
60400 · Bank Service Charges - Other	186.08	821.64	1,647.45
Total 60400 · Bank Service Charges	186.08	821.64	1,647.45
61300 · Employee Compensation			
61301 · Admin			
61302 · Salaries (Net)	9,825.66	0.00	353.03
61301 · Admin - Other	0.00	0.00	0.00
Total 61301 · Admin	9,825.66	0.00	353.03
61307 · Continuing Education	62.96	62.96	62.96
61300 · Employee Compensation - Other	61,070.29	191,796.90	150,583.65
Total 61300 · Employee Compensation	70,958.91	191,859.86	150,999.64
61500 · Employees-EE Related Exp			
61501 · Payroll Taxes FICA EE	4,460.90	14,089.51	11,066.98
61502 · Payroll Taxes SUI EE	76.99	398.04	448.24
61503 · Payroll Taxes FUI EE	8.90	65.07	45.83
61504 · Insurance Medical Premiums	4,277.96	-3,267.28	8,964.04
61505 · Insurance Medical Claims	13,950.86	14,889.57	29,546.67
61506 · Insurance Life	341.39	0.00	0.00
61507 · Work Comp Ins EE	0.00	2,611.96	-257.03
61508 · Group Disability EE	2,184.57	0.00	3,077.91
61510 · Profit Sharing Contributions E	8,275.52	0.00	7,875.27
61511 · PSP Retirement Expenses	0.00	0.00	0.00
61515 · LTD,AD&D, Life Insurance	0.00	0.00	0.00
61516 · Profit Sharing 401K Match EE	1,236.95	2,374.98	2,539.54
61517 · Employee Expense-Misc	0.00	0.00	0.00
61518 · PSP Contributions Prior Year	0.00	0.00	0.00
Total 61500 · Employees-EE Related Exp	34,814.04	31,161.85	63,307.45
63300 · Insurance Expense			
63303 · Commercial/Property	738.00	718.00	712.00

Western Connecticut Orthopedic Surgical Center, LLC
Profit & Loss
January through December 2016

	Oct 16	Nov 16	Dec 16
63306 · Professional Liability	0.00	0.00	0.00
63300 · Insurance Expense - Other	1,031.66	1,885.95	2,675.66
Total 63300 · Insurance Expense	1,769.66	2,603.95	3,387.66
63400 · Interest Expense	17,841.28	18,155.98	17,291.54
63500 · General Supplies			
63501 · Cleaning Supplies	1,175.92	0.00	1,615.68
Total 63500 · General Supplies	1,175.92	0.00	1,615.68
64300 · Meals and Entertainment	0.00	146.75	0.00
64400 · Clinical Expense			
64401 · Medical Supplies			
64403 · Implants	75,797.48	77,711.86	142,306.35
64404 · Instruments	16,644.90	11,250.82	18,745.65
64405 · Drugs & Anesthesia Supplies	8,652.30	14,271.19	11,453.58
64408 · Surgical	0.00	729.00	0.00
64409 · Medical Supplies-Other	0.00	0.00	0.00
64401 · Medical Supplies - Other	41,718.90	52,765.87	51,425.56
Total 64401 · Medical Supplies	142,813.58	156,728.74	223,931.14
64412 · Laundry	4,106.68	0.00	9,600.93
64413 · Small Medical Equipment	0.00	0.00	0.00
64414 · Equipment Expense			
64415 · Equipment Lease	3,226.32	2,133.04	3,226.32
64416 · Equipment Repair & Maintenance	2,898.04	18,263.72	10,107.52
64417 · Equipment Maintenance Contract	0.00	0.00	900.00
64414 · Equipment Expense - Other	0.00	0.00	0.00
Total 64414 · Equipment Expense	6,124.36	20,396.76	14,233.84
64418 · Medical Gases	786.07	1,644.82	646.99
64420 · Med Waste Disposal	2,225.11	284.29	5,337.82
Total 64400 · Clinical Expense	156,055.80	179,054.61	253,750.72
64900 · General & Administrative			
64903 · Dues and Subscriptions	0.00	7,845.00	1,113.46
64905 · Meals and Entertainment	1,461.38	142.00	763.21
64907 · Business Forms	74.99	0.00	0.00
64909 · Office Expense	210.14	1,301.04	6,797.65
64910 · Office Supplies	3,713.60	2,223.52	3,591.64
64911 · Computer Supplies	0.00	0.00	0.00
64912 · Postage and Freight	1,182.03	654.29	1,791.09
64913 · Cleaning	4,253.20	4,253.20	4,253.20
64914 · IT Services			
64915 · Computer Services	5,693.63	332.35	729.66
64916 · Computer Support	6,000.00	3,000.00	3,000.00
64914 · IT Services - Other	2,439.00	996.05	1,099.45
Total 64914 · IT Services	14,132.63	4,328.40	4,829.11
64919 · Printing & Production	412.30	643.01	849.28
64920 · Reference Materials	0.00	0.00	0.00
64922 · Transcription	2,460.38	0.00	4,656.26

Western Connecticut Orthopedic Surgical Center, LLC
Profit & Loss
January through December 2016

	Oct 16	Nov 16	Dec 16
Total 64900 · General & Administrative	27,900.65	21,390.46	28,644.90
66000 · Payroll Expenses			
66002 · Payroll Processing	282.70	417.50	305.76
66000 · Payroll Expenses - Other	641.99	666.07	603.75
Total 66000 · Payroll Expenses	924.69	1,083.57	909.51
66700 · Professional Fees			
66702 · Claims Mngmt/Billing/Collection	0.00	124.00	124.00
66704 · Consulting	200.00	2,952.17	1,248.00
66705 · Legal	3,469.67	31,480.75	4,464.00
66706 · Accounting Services	275.00	0.00	350.00
66700 · Professional Fees - Other	0.00	0.00	255.00
Total 66700 · Professional Fees	3,944.67	34,556.92	6,441.00
68500 · Outside Services	575.14	371.00	412.57
68600 · Occupancy Expense			
68601 · Utilities			
68602 · Utilities-Water	3,640.72	0.00	0.00
68603 · Utilities-Electric	13,591.74	7,092.56	7,147.96
68604 · Utilities-Gas	370.02	280.87	486.73
68605 · Utilities-Cable	238.40	238.40	238.40
68606 · Utilities-Garbage	0.00	0.00	0.00
68607 · Utilities-Telephone/Internet	341.40	0.00	168.93
Total 68601 · Utilities	18,182.28	7,611.83	8,042.02
68610 · Repairs and Maintenance	2,071.01	1,785.61	3,536.38
68612 · Rent Expense	60,666.66	30,333.33	30,333.33
68614 · Corporate Taxes	0.00	0.00	0.00
68615 · Property Taxes	15,165.68	0.00	15,165.68
68600 · Occupancy Expense - Other	553.02	1,596.69	1,684.51
Total 68600 · Occupancy Expense	96,638.65	41,327.46	58,761.92
Total Expense	412,785.49	523,155.50	587,436.68
Net Ordinary Income	371,373.32	346,400.69	370,209.67
Other Income/Expense			
Other Expense			
CT GROSS RECEIPTS TAX	69,513.00	0.00	0.00
Total Other Expense	69,513.00	0.00	0.00
Net Other Income	-69,513.00	0.00	0.00
	301,860.32	**346,400.69**	**370,209.67**

EBITDA
Depreciation
Interest
Net Income

Western Connecticut Orthopedic Surgical Center, LLC
Profit & Loss
January through December 2016

	TOTAL
Ordinary Income/Expense	
Income	
46200 · Nonmedical Income	
46201 · Interest Income	551.47
Total 46200 · Nonmedical Income	551.47
47300 · Income	
47301 · Refunds	-112,598.02
47302 · Revenue	11,764,266.99
47303 · Other	3,000.00
Total 47300 · Income	11,654,668.97
Total Income	11,655,220.44
Gross Profit	11,655,220.44
Expense	
60000 · Advertising and Promotion	15,827.11
600100 · Contribution	2,150.00
60400 · Bank Service Charges	
60401 · Bank Service Chgs-Merchant Fees	8,432.84
60400 · Bank Service Charges - Other	5,152.67
Total 60400 · Bank Service Charges	13,585.51
61300 · Employee Compensation	
61301 · Admin	
61302 · Salaries (Net)	99,959.16
61301 · Admin - Other	5,596.02
Total 61301 · Admin	105,555.18
61307 · Continuing Education	3,741.86
61300 · Employee Compensation - Other	1,587,604.49
Total 61300 · Employee Compensation	1,696,901.53
61500 · Employees-EE Related Exp	
61501 · Payroll Taxes FICA EE	121,426.88
61502 · Payroll Taxes SUI EE	16,087.80
61503 · Payroll Taxes FUI EE	6,047.48
61504 · Insurance Medical Premiums	35,695.12
61505 · Insurance Medical Claims	170,922.03
61506 · Insurance Life	1,988.02
61507 · Work Comp Ins EE	10,276.03
61508 · Group Disability EE	15,628.37
61510 · Profit Sharing Contributions E	37,190.07
61511 · PSP Retirement Expenses	2,115.55
61515 · LTD,AD&D, Life Insurance	738.96
61516 · Profit Sharing 401K Match EE	25,750.77
61517 · Employee Expense-Misc	85.25
61518 · PSP Contributions Prior Year	0.00
Total 61500 · Employees-EE Related Exp	443,952.33
63300 · Insurance Expense	
63303 · Commercial/Property	8,069.64

Western Connecticut Orthopedic Surgical Center, LLC
Profit & Loss
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	TOTAL
63306 · Professional Liability	9,675.00
63300 · Insurance Expense - Other	15,865.91
Total 63300 · Insurance Expense	33,610.55
63400 · Interest Expense	228,984.23
63500 · General Supplies	
63501 · Cleaning Supplies	10,217.13
Total 63500 · General Supplies	10,217.13
64300 · Meals and Entertainment	680.59
64400 · Clinical Expense	
64401 · Medical Supplies	
64403 · Implants	1,312,915.94
64404 · Instruments	141,564.23
64405 · Drugs & Anesthesia Supplies	173,254.28
64408 · Surgical	729.00
64409 · Medical Supplies-Other	798.23
64401 · Medical Supplies - Other	608,660.54
Total 64401 · Medical Supplies	2,237,922.22
64412 · Laundry	56,259.36
64413 · Small Medical Equipment	443.53
64414 · Equipment Expense	
64415 · Equipment Lease	28,065.88
64416 · Equipment Repair & Maintenance	64,940.56
64417 · Equipment Maintenance Contract	8,514.30
64414 · Equipment Expense - Other	1,472.67
Total 64414 · Equipment Expense	102,993.41
64418 · Medical Gases	10,195.10
64420 · Med Waste Disposal	25,648.10
Total 64400 · Clinical Expense	2,433,461.72
64900 · General & Administrative	
64903 · Dues and Subscriptions	12,531.84
64905 · Meals and Entertainment	8,637.79
64907 · Business Forms	74.99
64909 · Office Expense	20,164.88
64910 · Office Supplies	38,571.77
64911 · Computer Supplies	1,237.92
64912 · Postage and Freight	16,699.09
64913 · Cleaning	53,430.40
64914 · IT Services	
64915 · Computer Services	15,309.79
64916 · Computer Support	40,884.52
64914 · IT Services - Other	32,911.64
Total 64914 · IT Services	89,105.95
64919 · Printing & Production	5,699.46
64920 · Reference Materials	692.02
64922 · Transcription	30,102.53

Western Connecticut Orthopedic Surgical Center, LLC
Profit & Loss
January through December 2016

	TOTAL
Total 64900 · General & Administrative	276,948.64
66000 · Payroll Expenses	
66002 · Payroll Processing	3,827.06
66000 · Payroll Expenses - Other	3,748.69
Total 66000 · Payroll Expenses	7,575.75
66700 · Professional Fees	
66702 · Claims Mngmt/Billing/Collection	9,265.96
66704 · Consulting	66,310.51
66705 · Legal	57,422.97
66706 · Accounting Services	5,257.80
66700 · Professional Fees - Other	1,052.43
Total 66700 · Professional Fees	139,309.67
68500 · Outside Services	9,873.41
68600 · Occupancy Expense	
68601 · Utilities	
68602 · Utilities-Water	9,908.60
68603 · Utilities-Electric	81,442.68
68604 · Utilities-Gas	4,221.35
68605 · Utilities-Cable	2,860.80
68606 · Utilities-Garbage	19,398.86
68607 · Utilities-Telephone/Internet	4,188.03
Total 68601 · Utilities	122,020.32
68610 · Repairs and Maintenance	63,295.78
68612 · Rent Expense	363,999.96
68614 · Corporate Taxes	82.60
68615 · Property Taxes	55,427.00
68600 · Occupancy Expense - Other	3,834.22
Total 68600 · Occupancy Expense	608,659.88
Total Expense	5,921,738.05
Net Ordinary Income	5,733,482.39
Other Income/Expense	
Other Expense	
CT GROSS RECEIPTS TAX	600,166.00
Total Other Expense	600,166.00
Net Other Income	-600,166.00
	5,133,316.39

5,362,852
553,862
228,984
4,580,006

Western Connecticut Orthopedic Surgical Center, LLC
Balance Sheet
As of December 31, 2016

	Dec 31, 16
ASSETS	
Current Assets	
Checking/Savings	
Western CT Orthopedic Surgical	453,715.76
Total Checking/Savings	453,715.76
Other Current Assets	
14000 · Leasehold Improvements	3,229,150.19
Total Other Current Assets	3,229,150.19
Total Current Assets	3,682,865.95
Fixed Assets	
15000 · Furniture and Equipment	234,691.72
16100 · Medical Equipment	1,404,812.86
16101 · MEDICAL EQUIPMENT-SMALL	677.74
16200 · Computers-Non-Medical	294,724.01
17000 · Accumulated Depreciation	-1,990,096.00
17100 · Closing Costs	20,867.00
17200 · Goodwill	1,881,921.00
17300 · Accumulated Amortization	-232.00
Total Fixed Assets	1,847,366.33
Other Assets	
187100 · Cash 2014 Balance Sheet	558,684.00
Total Other Assets	558,684.00
TOTAL ASSETS	**6,088,916.28**
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
20000 · Accounts Payable	7,197.82
Total Accounts Payable	7,197.82
Total Current Liabilities	7,197.82
Long Term Liabilities	
25000 · FCB Term Loan	4,500,653.41
Total Long Term Liabilities	4,500,653.41
Total Liabilities	4,507,851.23
Equity	
30000 · Opening Balance Equity	466,674.86
30300 · Member Distributions	
Angelo Ciminiello	-727,734.53
D. Ross Henshaw	-727,734.53
David Bomback	-262,198.93
David Kramer	-262,198.93
Frank Hermantin	-536,225.47
John Dunleavy	-536,225.47
John Lunt	-727,734.53
John Mullen	-268,112.72

Western Connecticut Orthopedic Surgical Center, LLC
Balance Sheet
As of December 31, 2016

	Dec 31, 16
Joseph DiGiovanni	-727,734.53
MHH Danbury	-1,310,994.64
Michael Brand	-727,734.53
Philip Mulieri	-393,298.40
Randolph Sealey	-536,225.47
Robert Deveney	-727,734.53
Robert Yaghoubian	-268,112.72
Total 30300 · Member Distributions	-8,739,999.93
30600 · Member Equity	
Angelo Ciminiello	65,516.00
D. Ross Henshaw	65,516.00
David Bomback	45,000.00
David Kramer	45,000.00
Frank Hermantin	47,074.00
John Dunleavy	47,072.00
John Lunt	87,770.00
John Mullen	20,354.00
Joseph DiGiovanni	65,516.00
MHH Danbury	138,469.92
Michael Brand	65,516.00
Philip Mulieri	67,500.00
Randolph Sealey	47,074.00
Robert Deveney	65,516.00
Robert Yaghoubian	21,247.00
Total 30600 · Member Equity	894,140.92
32000 · Retained Earnings	3,826,932.81
Net Income	5,133,316.39
Total Equity	1,581,065.05
TOTAL LIABILITIES & EQUITY	6,088,916.28

Western Connecticut Orthopedic Surgical Center

4:13 PM

Statement of Cash Flows

05/31/2017

January through December 2016

	Jan - Dec 16
OPERATING ACTIVITIES	
Net Income	4,717,101.92
Adjustments to reconcile Net Income to net cash provided by operations:	
14000 · Leasehold Improvements	-84,623.76
20000 · Accounts Payable	408,959.72
Net cash provided by Operating Activities	5,041,437.88
INVESTING ACTIVITIES	
15000 · Furniture and Equipment	-4,913.37
16100 · Medical Equipment	-19,588.76
16200 · Computers-Non-Medical	-2,395.01
Net cash provided by Investing Activities	-26,897.14
FINANCING ACTIVITIES	
25000 · FCB Term Loan	-844,590.25
30300 · Member Distributions:Angelo Ciminiello	-346,797.98
30300 · Member Distributions:D. Ross Henshaw	-346,797.98
30300 · Member Distributions:David Bomback	-124,949.49
30300 · Member Distributions:David Kramer	-124,949.49
30300 · Member Distributions:Frank Hermantin	-255,535.38
30300 · Member Distributions:John Dunleavy	-255,535.38
30300 · Member Distributions:John Lunt	-346,797.98
30300 · Member Distributions:John Mullen	-127,767.67
30300 · Member Distributions:Joseph DiGiovanni	-346,797.98
30300 · Member Distributions:MHH Danbury	-624,747.46
30300 · Member Distributions:Michael Brand	-346,797.98
30300 · Member Distributions:Philip Mulieri	-187,424.22
30300 · Member Distributions:Randolph Sealey	-255,535.38
30300 · Member Distributions:Robert Deveney	-346,797.98
30300 · Member Distributions:Robert Yaghoubian	-127,767.67
Net cash provided by Financing Activities	-5,009,590.27
Net cash increase for period	4,950.47
Cash at beginning of period	448,765.29
Cash at end of period	**453,715.76**

SURGICAL CARE AFFILIATES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)

	YEAR-ENDED DECEMBER 31,		
	2016	2015	2014
Net operating revenues:			
Net patient revenues	$ 1,201,609	$ 971,422	$ 788,048
Management fee revenues	54,829	61,011	58,914
Other revenues	24,967	19,057	17,774
Total net operating revenues	1,281,405	1,051,490	864,736
Equity in net income of nonconsolidated affiliates	54,427	49,867	32,564
Operating expenses:			
Salaries and benefits	426,528	351,029	297,174
Supplies	303,583	221,392	177,853
Other operating expenses	198,128	161,854	124,870
Depreciation and amortization	88,584	66,225	52,663
Occupancy costs	45,715	36,480	29,390
Provision for doubtful accounts	22,286	17,195	14,051
Impairment of intangible and long-lived assets	1,869	625	610
Loss (gain) on disposal of assets	1,757	1,886	(232)
Total operating expenses	1,088,450	856,686	696,379
Operating income	247,382	244,671	200,921
Interest expense	43,198	42,111	32,785
Healthsouth option expense	—	11,702	—
Debt modification expense	2,356	5,032	—
Loss on extinguishment of debt	156	544	—
Interest income	(20,484)	(367)	(174)
Gain on sale of investments	(33,049)	(3,982)	(7,633)
Income from continuing operations before income tax expense	255,205	189,631	175,943
Provision (benefit) for income taxes	28,823	(84,778)	9,439
Income from continuing operations	226,382	274,409	166,504
Loss from discontinued operations, net of income tax expense	(77)	(784)	(9,355)
Net income	226,305	273,625	157,149
Less: Net income attributable to noncontrolling interests	(190,858)	(158,304)	(125,169)
Net income attributable to Surgical Care Affiliates	$ 35,447	$ 115,321	$ 31,980
Basic net income (loss) per share attributable to Surgical Care Affiliates:			
Continuing operations attributable to Surgical Care Affiliates	$ .88	$ 2.95	$ 1.07
Discontinued operations attributable to Surgical Care Affiliates	$ —	$ (.02)	$ (.24)
Net income per share attributable to Surgical Care Affiliates	$ .88	$ 2.93	$ .83
Basic weighted average shares outstanding	40,214	39,360	38,477
Diluted net income (loss) per share attributable to Surgical Care Affiliates:			
Continuing operations attributable to Surgical Care Affiliates	$ .86	$ 2.85	$ 1.03
Discontinued operations attributable to Surgical Care Affiliates	$ —	$ (.02)	$ (.23)
Net income per share attributable to Surgical Care Affiliates	$ .86	$ 2.83	$ .80
Diluted weighted average shares outstanding	41,106	40,734	39,958

See Notes to Consolidated Financial Statements.

SURGICAL CARE AFFILIATES, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands, except par value amount)

	DECEMBER 31, 2016	DECEMBER 31, 2015
Assets		
Current assets		
Cash and cash equivalents	$ 131,791	$ 79,269
Restricted cash	31,746	26,116
Accounts receivable, net of allowance for doubtful accounts (2016 — $17,676; 2015 — $17,045)	167,656	129,659
Receivable from nonconsolidated affiliates	47,395	46,949
Prepaids and other current assets	52,328	32,869
Total current assets	430,916	314,862
Property and equipment, net of accumulated depreciation (2016 — $157,987; 2015 — $99,678)	353,054	296,831
Goodwill	1,455,126	1,061,088
Intangible assets, net of accumulated amortization (2016 — $68,930; 2015 — $48,495)	151,823	109,188
Deferred debt issue costs	977	1,277
Investment in and advances to nonconsolidated affiliates	228,215	216,111
Other long-term assets	43,888	1,846
Assets held for sale	6,711	408
Total assets (a)	$ 2,670,710	$ 2,001,611
Liabilities and Equity		
Current liabilities		
Current portion of long-term debt	$ 64,053	$ 32,503
Accounts payable	52,618	37,419
Accrued payroll	45,190	37,802
Accrued interest	4,194	4,173
Accrued distributions	44,238	37,175
Payable to nonconsolidated affiliates	92,112	77,683
Other current liabilities	38,800	31,306
Current liabilities held for sale	665	26
Total current liabilities	341,870	258,087
Long-term debt, net of current portion	1,051,447	851,849
Deferred income tax liability	71,878	44,339
Other long-term liabilities	33,350	31,615
Liabilities held for sale	185	—
Total liabilities (a)	1,498,730	1,185,890
Commitments and contingent liabilities (Note 17)		
Noncontrolling interests — redeemable (Note 10)	17,037	21,989
Equity		
Surgical Care Affiliates' equity		
Common stock, $0.01 par value, 180,000 shares authorized, 40,499 and 39,690 shares outstanding, respectively	405	397
Additional paid in capital	463,686	442,678
Accumulated deficit	(24,027)	(60,814)
Total Surgical Care Affiliates' equity	440,064	382,261
Noncontrolling interests — non-redeemable	714,879	411,471
Total equity	1,154,943	793,732
Total liabilities and equity	$ 2,670,710	$ 2,001,611

(a) Our consolidated assets as of December 31, 2016 and December 31, 2015 include total assets of variable interest entities ("VIE") of $453.4 million and $76.1 million, respectively, which can only be used to settle the obligations of the VIEs. Our consolidated total liabilities as of December 31, 2016 and December 31, 2015 include total liabilities of the VIEs of $241.5 million and $41.0 million, respectively, for which the creditors of the VIEs have no recourse to us, with the exception of $24.8 million and $4.0 million of debt guaranteed by us at December 31, 2016 and December 31, 2015, respectively. See further description in Note 4, *Variable Interest Entities* .

See Notes to Consolidated Financial Statements.

SURGICAL CARE AFFILIATES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	YEAR-ENDED DECEMBER 31,		
	2016	2015	2014
Cash flows from operating activities			
Net income	$ 226,305	$ 273,625	$ 157,149
Loss from discontinued operations	77	784	9,355
Adjustments to reconcile net income to net cash provided by operating activities			
Provision for doubtful accounts	22,286	17,195	14,051
Depreciation and amortization	88,584	66,225	52,663
Amortization of deferred issuance costs	1,290	1,352	2,954
Impairment of long-lived assets, intangibles and receivables from nonconsolidated affiliates	3,100	625	610
Realized gain on sale of investments	(33,049)	(3,982)	(7,633)
Loss (gain) on disposal of assets	1,757	1,886	(232)
Equity in net income of nonconsolidated affiliates	(54,427)	(49,867)	(32,564)
Distributions from nonconsolidated affiliates	65,036	56,263	50,773
Deferred income tax	27,552	(86,185)	8,556
Stock compensation	13,065	8,519	4,126
Change in fair value of interest rate swaps	(9,751)	336	485
Loss on extinguishment of debt	156	544	—
HealthSouth option expense	—	11,702	—
(Increase) decrease in assets, net of business combinations			
Accounts receivable	(39,557)	(31,066)	(18,692)
Other assets	(35,234)	18,576	(66,709)
(Decrease) increase in liabilities, net of business combinations			
Accounts payable	8,299	(10,740)	4,709
Accrued payroll	4,584	6,476	2,404
Accrued interest	21	3,939	(213)
Other liabilities	15,626	(19,450)	34,261
Other	392	(332)	(722)
Net cash used in operating activities of discontinued operations	(452)	(3,219)	(4,750)
Net cash provided by operating activities	305,660	263,206	210,581
Cash flows from investing activities			
Capital expenditures	(71,190)	(44,760)	(37,304)
Proceeds from sale of business	755	6,884	2,711
Proceeds from disposal of assets	18,583	2,303	1,302
Proceeds from sale of equity interests of nonconsolidated affiliates	7,016	20,512	2,344
Proceeds from sale of equity interests of consolidated affiliates in deconsolidation transactions	—	—	2,375
Repurchase of equity interests of nonconsolidated affiliates	(444)	—	—
Decrease in cash related to conversion of consolidated affiliates to equity interests	(56)	(37)	(30)
Increase in cash related to conversion of equity method affiliates to consolidated affiliates	124	—	—
Net change in restricted cash	4,370	(1,543)	1,062
Net settlements on interest rate swap	(1,670)	(1,449)	(1,539)
Business acquisitions, net of cash acquired 2016 - $5,107; 2015 - $2,711; 2014 - $2,527	(172,152)	(112,794)	(122,165)
Purchase of equity interests in nonconsolidated affiliates	(49,278)	(35,642)	(36,032)
Return of equity method investments in nonconsolidated affiliates	2,567	2,284	2,555
Purchase of management services agreements	(10,579)	(2,057)	(600)
Other	(2,666)	(1,167)	(3,191)
Net cash provided by investing activities of discontinued operations	—	11,000	—
Net cash used in investing activities	$ (274,620)	$ (156,466)	$ (188,512)

SURGICAL CARE AFFILIATES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	YEAR-ENDED DECEMBER 31,		
	2016	2015	2014
Cash flows from financing activities			
Borrowings under line of credit arrangements and long-term debt, net of issuance costs	$ 820,580	$ 728,310	$ 35,646
Payment of debt acquisition costs	248	(3,238)	—
Principal payments on line of credit arrangements and long-term debt	(633,420)	(614,468)	(31,083)
Principal payments under capital lease obligations	(14,517)	(9,042)	(8,225)
Distributions to noncontrolling interests of consolidated affiliates	(161,635)	(150,529)	(113,432)
Contributions from noncontrolling interests of consolidated affiliates	6,766	6,276	17,452
Proceeds from sale of equity interests of consolidated affiliates	11,625	5,933	5,593
Repurchase of equity interests of consolidated affiliates	(15,637)	(6,124)	(8,726)
Proceeds from teammate equity plans	18,370	12,054	5,820
Tax payments on options and awards	(10,895)	(5,409)	—
Other	—	—	(2,189)
Net cash provided by (used in) financing activities	21,485	(36,237)	(99,144)
Change in cash and cash equivalents	52,525	70,503	(77,075)
Cash and cash equivalents at beginning of period	79,269	8,731	85,829
Cash and cash equivalents of discontinued operations at beginning of period	2	37	14
Less: Cash and cash equivalents of discontinued operations at end of period	(5)	(2)	(37)
Cash and cash equivalents at end of period	$ 131,791	$ 79,269	$ 8,731
Supplemental cash flow information			
Cash paid during the year for interest	$ 53,797	$ 37,615	$ 31,173
Cash paid during the year for income taxes	875	1,021	753
Supplemental schedule of noncash investing and financing activities			
Property and equipment acquired through capital leases and installment purchases	32,895	18,640	9,722
Goodwill attributable to sale of surgery centers	—	2,503	752
Net investment in consolidated affiliates that became equity method facilities	590	164	1,848
Noncontrolling interest associated with conversion of consolidated affiliates to equity method affiliates	—	1,750	3,886
Contributions (non-cash) from noncontrolling interests of consolidated affiliates	—	—	5,225
Accrued capital expenditures at end of period	2,469	3,976	3,457
Equity interest purchase in nonconsolidated affiliates via withheld distributions	—	5,259	—

See Notes to Consolidated Financial Statements.

ATTACHMENT V

Supplemental CON Application Form

Transfer of Ownership of a Health Care Facility

Conn. Gen. Stat. § 19a-638(a)(2)

Applicants: **Western Connecticut Orthopedic Surgical Center, LLC & SCA-Western Connecticut, LLC**

Project Name: **Transfer of Membership Interests in Western Connecticut Orthopedic Surgical Center, LLC to SCA-Western Connecticut, LLC**

1. **Project Description and Need: Change of Ownership or Control**

   a. Describe the transition plan and how the Applicants will ensure continuity of services. Provide a copy of a transition plan, if available.

RESPONSE:

SCA-Western Connecticut acquired a 49% ownership interest in WCOSC, LLC effective May 1, 2017. SCA has been managing the Center since that time. There is no "transition" of operations related to this proposal for SCA-Western Connecticut to acquire an additional 11% of the membership interests in the Company and become a majority owner. The Center is an existing outpatient surgical facility. The same staff, physicians, and procedures remained in place through the minority change of ownership and will stay in place once SCA-Western Connecticut becomes a majority owner. No interruption in services has or is expected to occur as a result of the transaction.

   b. For each Applicant (and any new entities to be created as a result of the proposal), provide the following information as it would appear **prior** and **subsequent** to approval of this proposal:

      i. Legal chart of corporate or entity structure including all affiliates.

RESPONSE:

See Exhibit K.

      ii. Governance or controlling body

RESPONSE:

Currently, the Company is governed by a Board of Managers consisting of five (5) members. Four (4) members of the Board are appointed by a majority of the Class A Members (i.e., physician investors), and one (1) member of the Board is appointed by SCA-Western Connecticut. After the closing of the transaction, the Company will still be governed by a Board of Managers consisting of five (5) members; however, SCA-Western Connecticut will appoint three (3) members of the Board, and the physician investors will appoint two (2) members of the Board.

iii. List of owners and the % ownership and shares of each.

RESPONSE:

See Exhibit L.

c. Does this proposal avoid the corporate practice of medicine? Explain in detail.

RESPONSE:

The Corporate Practice of Medicine Doctrine ("CPMD") holds that only individuals who are licensed to practice medicine in Connecticut are authorized to practice medicine in this state. A corporation, in and of itself, is not authorized to practice medicine. Although the Company owns the Center, and SCA manages the Center, neither is practicing medicine. All surgical care at the Center is performed by Connecticut licensed physicians. The Center is governed by Section 19-13-D56 of the Regulations of Connecticut State Agencies concerning licensure of outpatient surgical facilities operated by corporations. These regulations have provisions regarding professional staff that ensure medical competence and judgment are preserved. In addition, OHCA has historically approved CONs for ambulatory surgical facilities that are owned in part by corporations. Most recently, OHCA approved the transfer of majority ownership in Surgical Center of Connecticut and River Valley Ambulatory Surgery Center, both of which are owned and operated by limited liability companies (*see* Docket Nos. 17-32145-CON & 17-32146-CON).

2. Clear Public Need

a. Is the proposal being submitted due to provisions of the Federal Sherman Antitrust Act and Conn. Gen Stat. §35-24 et seq. statutes? Explain in detail.

RESPONSE:

This proposal is not being submitted due to provisions of the Federal Sherman Antitrust Act and Conn. Gen. Stat. §35-24 et seq.

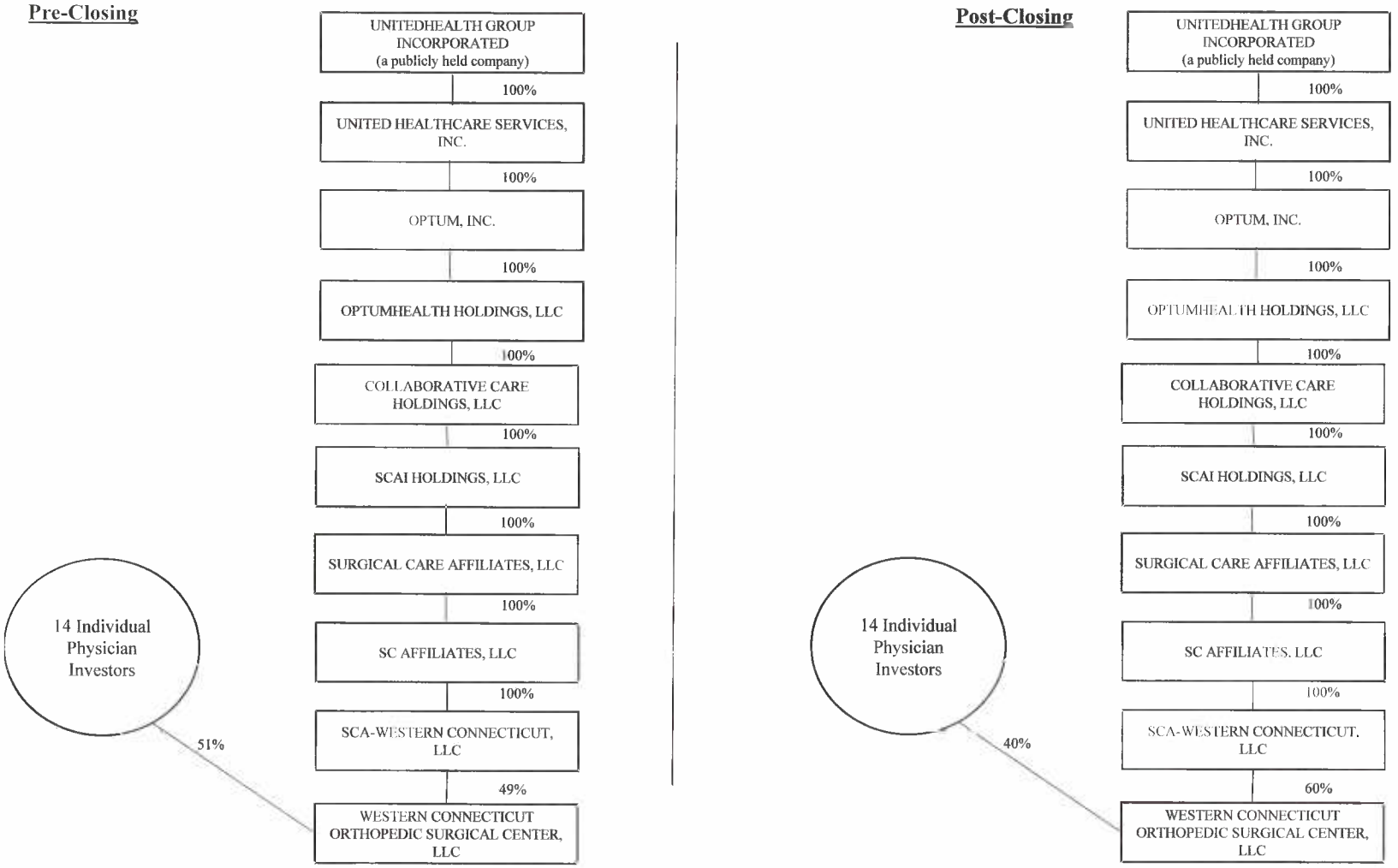
b. Is the proposal being submitted due to provisions of the Patient Protection and Affordable Care Act (PPACA)? Explain in detail.

RESPONSE:

This proposal is not being submitted due to provisions of the Patient Protection and Affordable Care Act.

EXHIBIT K

WESTERN CONNECTICUT ORTHOPEDIC SURGICAL CENTER, LLC
OWNERSHIP STRUCTURE CHART
POST-PHASE II CLOSING



WCOSC000381
06/29/2017

EXHIBIT L

Western Connecticut Orthopedic Surgical Center, LLC – Ownership

Michael Brand, M.D. (5.00%)
Angelo Ciminiello, M.D. (5.00%)
Robert Deveney, M.D. (5.00%)
Joseph DiGiovanni, M.D. (5.00%)
Ross Henshaw, M.D. (5.00%)
John Lunt, M.D. (5.00%)
John Dunleavy, M.D. (3.68%)
Frank Hermantin, M.D. (3.68%)
Randolph Sealey, M.D. (3.68%)
Philip Mulieri, M.D. (2.70%)
Robert Yaghoubian, M.D. (1.84%)
John Mullen, M.D. (1.84%)
David Bomback, M.D. (1.80%)
David Kramer, M.D. (1.80%)
SCA-Western Connecticut, LLC (49%)

User, OHCA

From: Mitchell, Micheala
Sent: Friday, July 21, 2017 8:15 AM
To: 'Jennifer Groves Fusco'
Cc: Carney, Brian; Rival, Jessica; Riggott, Kaila; User, OHCA
Subject: 17-32176-CON Western Connecticut Orthopedic Surgical Center Completeness Letter
Attachments: 32176 Western Connecticut Orthopedic Surgical Center Completeness Letter.pdf

Good morning Attorney Fusco,

Please see the attached completeness letter in the above referenced matter. Please confirm receipt of this email and provide your written responses to OHCA no later than **September 19, 2017**.

Sincerely,
Micheala L. Mitchell
Staff Attorney, PHHO/OHCA
Connecticut Department of Public Health
410 Capitol Avenue, MS# 13-HCA, Hartford, CT 06134
Phone: (860) 418-7055
Email: micheala.mitchell@ct.gov

STATE OF CONNECTICUT
DEPARTMENT OF PUBLIC HEALTH

Raul Pino, M.D., M.P.H.
Commissioner

Dannel P. Malloy
Governor

Nancy Wyman
Lt. Governor

Office of Health Care Access

July 21, 2017 Via Email Only

Ms. Jennifer G. Fusco, Esq.
Updike, Kelly & Spellacy, P.C.
One Century Tower
265 Church Street
New Haven, CT 06510
jfusco@uks.com

RE: Certificate of Need Application; Docket Number: 17-32176-CON
Transfer of 11% Ownership Interest of Western Connecticut Orthopedic Surgical Center, LLC to SCA-Western Connecticut, LLC
Certificate of Need Completeness Letter

Dear Attorney Fusco:

On June 29, 2017, the Department of Public Health ("DPH"), Office of Health Care Access ("OHCA") received the Certificate of Need ("CON") application from Western Connecticut Orthopedic Surgical Center, LLC ("WCOSC, LLC.") and SCA-Western Connecticut, LLC ("SCA-Western Connecticut"), herein collectively referred to as ("Applicants"), seeking authorization to transfer 11% of WCSOC, LLC to SCA-Western Connecticut.

OHCA requests additional information pursuant to Connecticut General Statutes §19a-639a(c). *Please "reply all" to electronically confirm receipt of this email as soon as you receive it.* Provide responses to the questions below in both a Word document and PDF format as an attachment to a responding email. *Please email your responses to all of the following email addresses:* **OHCA@ct.gov** and **kaila.riggott@ct.gov**.

Pursuant to Section 19a-639a(c) of the Connecticut General Statutes, you must submit your response to this request for additional information no later than sixty days after the date that this request was transmitted. Therefore, please provide your written responses to OHCA no later than

September 19, 2017, **by 4:30 p.m**., otherwise your application will be automatically considered withdrawn.

Repeat each question before providing your response and paginate and date your response, (i.e., each page, in its entirety). Information filed after the initial CON application submission (e.g., completeness response letter, prefiled testimony, late file submissions and the like) must be numbered sequentially from the applicant's document preceding it. Please begin your submission using **Page 385** and reference "**Docket Number: 17-32176-CON**."

1. Page 22 of the application states that SCA-Western Connecticut's acquisition of a majority interest in WCOSC is necessary in order to undertake joint managed care contracting for multiple facilities within a geographic area. Explain the rationale for SCA-Western Connecticut's desire to attain a majority ownership interest of 60% in WCOSC versus a simple majority of 51%.

2. Clarify whether the "superior data analytics platform," referenced on page 23 of the application, is synonymous with the Quantros electronic system. If not, provide a detailed explanation defining the term "superior data analytics platform."

3. Page 30 of the application states that "SCA is…exploring contracts with third-party payers that include quality incentives." It is further asserted on page 31 of the application, that the "proposed" addition of WCOSC to the networks of several major insurers will enhance the coordination of patient care.

    a. Disclose whether the Applicant anticipates transitioning to "in-network status" with other commercial payers in addition to Aetna and Cigna.
    b. Give examples of the quality incentives that could be included in these contracts.

4. Provide scholarly articles to support the conclusion that "ambulatory surgical services provided in a non-hospital-based outpatient setting…are less costly than those provided in a hospital setting," as indicated on page 31 of the application.

5. According to page 35 of the application, the increase in volume and net patient revenue in fiscal year ("FY") 2017 is attributed, in part, to the addition of several new orthopedic physicians.

    a. Disclose the number of physicians that were added.
    b. Indicate whether the Applicant intends to add more physicians following the transfer of ownership. If so, indicate the number of physicians that will be added by each area of practice.

6. Revise Table 5 on page 43 of the application to include the year-to-date volume for FY 2017 and specify the months reflected in that figure.

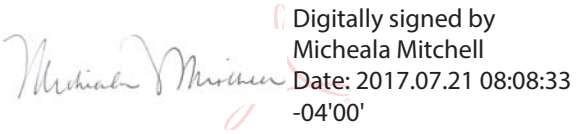
7. Table 3 on page 44 of the application projects that less than 1% of all surgical procedures at WCOSC will be performed on patients covered under Medicaid in FYs 2017, 2018, 2019, and 2020. On May 18, 2017, OHCA issued two transfer of ownership decisions approving similar CON applications for other Surgical Care

Affiliates, LLC ("SCA") facilities, however, the projections for surgical procedures involving Medicaid patients was higher (see, 17-32145-CON and 17-32146-CON).

a. Explain why WCOSC's Medicaid service projections are significantly lower than those projected for the above-referenced SCA facilities.
b. Describe, if applicable, any efforts that are being made to improve access to services for individuals insured by Medicaid.

If you have any questions concerning this letter, please feel free to contact Kaila Riggott at (860) 418-7037.

Sincerely,



Micheala L. Mitchell
Staff Attorney

User, OHCA

From: Jennifer Groves Fusco <jfusco@uks.com>
Sent: Friday, July 21, 2017 8:57 AM
To: Mitchell, Micheala
Cc: Carney, Brian; Rival, Jessica; Riggott, Kaila; User, OHCA
Subject: RE: 17-32176-CON Western Connecticut Orthopedic Surgical Center Completeness Letter

Thanks, Michaela.

From: Mitchell, Micheala [mailto:Micheala.Mitchell@ct.gov]
Sent: Friday, July 21, 2017 8:15 AM
To: Jennifer Groves Fusco
Cc: Carney, Brian; Rival, Jessica; Riggott, Kaila; User, OHCA
Subject: 17-32176-CON Western Connecticut Orthopedic Surgical Center Completeness Letter

Good morning Attorney Fusco,

Please see the attached completeness letter in the above referenced matter. Please confirm receipt of this email and provide your written responses to OHCA no later than **September 19, 2017**.

Sincerely,
Micheala L. Mitchell
Staff Attorney, PHHO/OHCA
Connecticut Department of Public Health
410 Capitol Avenue, MS# 13-HCA, Hartford, CT 06134
Phone: (860) 418-7055
Email: micheala.mitchell@ct.gov

User, OHCA

From: Jennifer Groves Fusco <jfusco@uks.com>
Sent: Thursday, July 27, 2017 3:03 PM
To: Mitchell, Micheala
Cc: Carney, Brian; Rival, Jessica; Riggott, Kaila; User, OHCA
Subject: RE: 17-32176-CON Western Connecticut Orthopedic Surgical Center Completeness Letter
Attachments: DOCS-#1623672-v1-SCA_WCOSC_COMPLETENESS_QUESTION_RESPONSES_(FINAL).pdf; DOCS-#1623570-v1-SCA_WCOSC_COMPLETENESS_QUESTION_RESPONES_(FINAL).docx

All:

Attached please find both Word and PDF versions of Applicants' responses to OHCA's Completeness Questions. Please let me know if you have any questions or require any additional information.

Thanks,
Jen

From: Mitchell, Micheala [mailto:Micheala.Mitchell@ct.gov]
Sent: Friday, July 21, 2017 8:15 AM
To: Jennifer Groves Fusco
Cc: Carney, Brian; Rival, Jessica; Riggott, Kaila; User, OHCA
Subject: 17-32176-CON Western Connecticut Orthopedic Surgical Center Completeness Letter

Good morning Attorney Fusco,

Please see the attached completeness letter in the above referenced matter. Please confirm receipt of this email and provide your written responses to OHCA no later than **September 19, 2017**.

Sincerely,
Micheala L. Mitchell
Staff Attorney, PHHO/OHCA
Connecticut Department of Public Health
410 Capitol Avenue, MS# 13-HCA, Hartford, CT 06134
Phone: (860) 418-7055
Email: micheala.mitchell@ct.gov

Transfer of 11% Ownership Interest in
Western Connecticut Orthopedic Surgical Center, LLC
to SCA-Western Connecticut, LLC

Docket No. 17-32176-CON

Completeness Question Responses

1. Page 22 of the application states that SCA-Western Connecticut's acquisition of a majority interest in WCOSC is necessary in order to undertake joint managed care contracting for multiple facilities within a geographic area. Explain the rationale for SCA-Western Connecticut's desire to attain a majority ownership interest of 60% in WCOSC versus a simple majority of 51%.

RESPONSE:

SCA-Western Connecticut, LLC's ("SCA-Western Connecticut") decision to acquire 60% of the membership interests in Western Connecticut Orthopedic Surgical Center, LLC ("WCOSC") is based on business considerations. Specifically, SCA-Western Connecticut plans to acquire the additional membership interests so that it will have equity to sell to new physician investors going forward. This will allow SCA-Western Connecticut to further grow the Center and increase access to WCOSC's services for patients in the area. Acquiring additional membership interests beyond a simple majority is standard practice for Surgical Care Affiliates facilities in Connecticut and across the country.

2. Clarify whether the "superior data analytics platform," reference on page 23 of the application, is synonymous with the Quantros electronic system. If not, provide a detailed explanation defining the term "superior data analytics platform."

RESPONSE:

The "superior data analytics" platform to which Applicants refer on page 23 of the CON Application is called Insight. This Tableau-based, proprietary toolset provides best in class support for decision making at the physician, facility and market level based on clinical metrics, case profitability, physician recruitment, and operational efficiencies (labor and costs).

3. Page 30 of the application states that "SCA is … exploring contracts with third-party payers that include quality incentives." It is further asserted on page 31 of the application, that the "proposed" addition of WCOSC to the networks of several major insurers will enhance the coordination of patient care.

    a. Disclose whether the Applicant anticipates transitioning to "in-network status" with other commercial payers in addition to Aetna and Cigna.

RESPONSE:

WCOSC transitioned in-network with Aetna and Cigna in 2016, at a time when it was actively pursuing sale of a majority interest in the Center. With the addition of Aetna and Cigna, WCOSC now participates as an "in-network" provider with all major commercial payers in Connecticut.

    b. Give examples of the quality incentives that could be included in these contracts.

RESPONSE:

WCOSC may function as a site of service for payer-sponsored programs that incentivize physicians to meet certain quality metrics in order to qualify for enhanced professional fees. WCOSC's role would be to provide payers the data with which to evaluate physicians' services around specific performance metrics based on National Quality Forum (NQF) standards. For example, clinical measures might include whether a physician has operated on an incorrect site or patient or performed an incorrect procedure; whether a patient has suffered burn injuries during surgery; surgical site infections; patient transfers to an acute-care hospital or emergency department; secondary procedures resulting from surgical complications; and timing of antibiotic administration for surgical patients. These types of programs are intended to enhance the quality of, and patient satisfaction with, outpatient surgical care.

4. Provide scholarly articles to support the conclusion that "ambulatory surgical services provided in a non-hospital-based outpatient setting … are less costly than those provided in a hospital setting," as indicate don page 31 of the application.

RESPONSE:

Please see the following articles and reports attached as Exhibit A:

- *Medicare Cost Savings Tied to Ambulatory Surgery Centers, ASCA*
  - On average, Medicare reimburses ASCs 58% of the rate it reimburses Hospital Outpatient Departments ("HOPD") for outpatient surgical services (p. 7).
  - ASCs saved the Medicare program and its beneficiaries $7.5 billion dollars from 2008 through 2011, which could increase by an additional $32.5 billion by 2021 (p. 12).
  - Medicare beneficiaries also save money because the lower reimbursement rate for ASCs means proportionately lower coinsurance payments (p. 12).

- *Commercial Insurance Cost Savings in Ambulatory Surgery Centers, ASCA*
  - For the commercially insured population in the U.S., an estimated $37.8 billion is saved annually by using ASCs rather than HOPDs (p. 7).
  - If all procedures commonly performed in ASCs were actually performed in ASCs, an additional $41 billion in healthcare costs could be saved annually (p. 7).

- *Medicare and Beneficiaries Could Save Billions if CMS Reduces Hospital Outpatient Department Payment Rates for Ambulatory Surgery Center-Approved Procedures to Ambulatory Surgical Center Payment Rates, DHHS OIG*
  - For 96 percent of HCPS codes, ASC average payments were lower than HOPD average payments (p. 6).
  - This differential saved Medicare $7 billion and beneficiaries $2 billion from 2007 through 2011, with projected costs savings at $12 billion through 2017 (p. 6).

- *Procedures Take Less Time at Ambulatory Surgery Centers, Keeping Costs Down and Ability to Meet Demand Up, Health Affairs*
  - On average, procedures performed in ASCs take 31.8 fewer minutes than those performed in hospitals, making ASCs a more efficient and cost-effective means of delivering outpatient surgical care (p. 766).

5. According to page 35 of the application, the increase in volume and net patient revenue in fiscal year ("FY") 2017 is attributed, in part, to the addition of several new orthopedic physicians.

   a. Disclose the number of physicians that were added.

RESPONSE:

Thus far in FY 2017, WCOSC has credentialed two (2) new physicians, one with a specialty in orthopedics and the other with a specialty in pain management. WCOSC is also in the process of credentialing five (5) additional physicians. These include two (2) with specialties in pain management, two (2) with specialties in spine and one (1) orthopedic surgeon.

   b. Indicate whether the Applicant intends to add more physicians following the transfer of ownership. If so, indicate the number of physicians that will be added by each area of practice.

RESPONSE:

As noted above, WCOSC is in the process of credentialing five (5) additional physicians. These include two (2) with specialties in pain management, two (2) with specialties in spine and one (1) orthopedic surgeon.

6. Revises Table 5 on page 43 of the application to include the year-to-date volume for FY 2017 and specify the months reflected in that figure

RESPONSE:

TABLE 5

HISTORICAL UTILIZATION BY SERVICE

	Actual Volume (Last 3 Completed FYs)			**CFY Volume***
Service**	**FY 2014*****	**FY 2015*****	**FY 2016*****	**YTD June 2017*****
Orthopedics	938	2,156	2,561	1,488
Pain Mgmt.	30	171	124	68
Spine	6	57	120	63
Total	**974**	**2,384**	**2,805**	**1,619**

7. Table 3 on page 44 of the application projects that less than 1% of all surgical procedures at WCOSC will be performed on patients covered under Medicaid in FYs 2017, 2018, 2019, and 2020. On May 18, 2017, OHCA issued two transfer of ownership decisions approving similar CON applications for other Surgical Care Affiliates, LLC ("SCA") facilities, however, the projections for surgical procedures involving Medicaid patients was higher (see, 17-32145-CON and 17-32146-CON).

    a. Explain why WCOSC's Medicaid service projections are significantly lower than those projected for the above-referenced SCA facilities.

RESPONSE:

In each instance involving WCOSC, River Valley Ambulatory Surgery Center ("River Valley") (Docket No. 17-32145-CON) and Surgical Center of Connecticut ("SCC") (Docket No. 17-32146-CON), SCA purchased interests in an existing outpatient surgical facility. Each facility had been in operation for a number of years when it was purchased and had an existing patient base. SCA's projections for Medicaid cases going forward were based upon historic results at each center.

What percentage Medicaid represents of a facility's payer mix depends upon a number of factors including, notably, the demographics of its patient population. River Valley is located in Norwich and SCC is located in Bridgeport, while WCOSC is located in Danbury. The number of surgeries performed on Medicaid patients will differ among these facilities depending upon how many Medicaid beneficiaries live in each of these service areas. In addition, the fact that WCOSC is a single-specialty center that handles many higher acuity elective orthopedic cases may contribute to its Medicaid volumes and percentages being lower than the multi-specialty facilities referenced above.

Based on the foregoing, the comparison that OHCA is requesting the Applicants to make between WCOSC, River Valley and SCC is not a valid one.

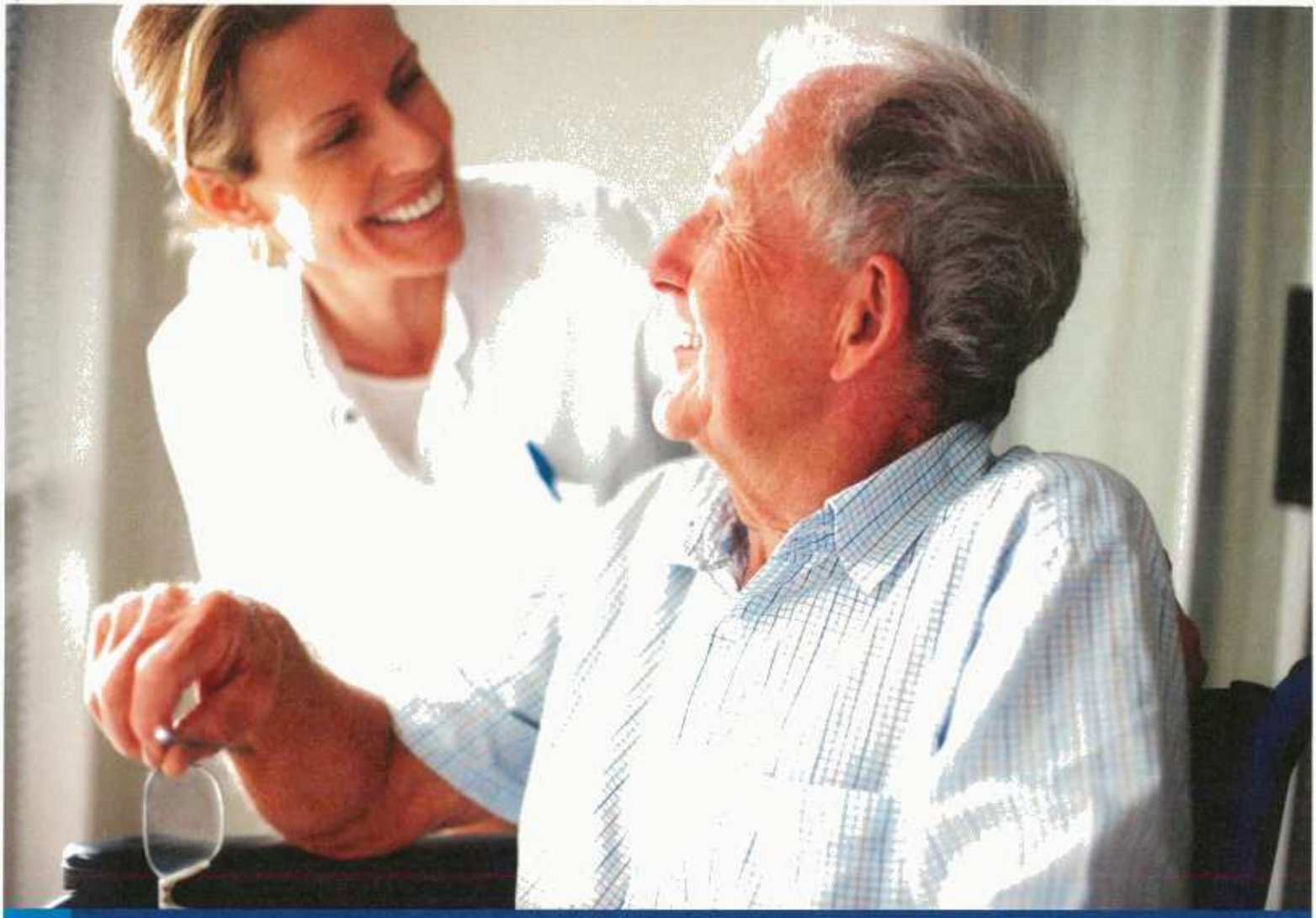
    b. Describe, if applicable, any efforts that are being made to improve access to services for individuals insured by Medicaid.

RESPONSE:

WCOSC participates with Medicaid and it is the policy of SCA to accept all patients regardless of payer sources at all of its surgical facilities. In addition, physician partners at all SCA facilities have a contractual duty to treat Medicaid beneficiaries in a non-discriminatory manner. Based on WCOSC's Medicaid participation status and SCA's

non-discrimination requirement, WCOSC is fully accessible by and will continue to be accessible to individuals insured by Medicaid.

EXHIBIT A



Medicare Cost Savings Tied to Ambulatory Surgery Centers

ASCA
Ambulatory Surgery Center Association

Produced with cost savings analysis from

Berkeley
UNIVERSITY OF CALIFORNIA

Acknowledgements

Dr. Brent Fulton, Assistant Adjunct Professor and Research Economist, and Dr. Sue Kim, Research Scientist, both from the Nicholas C. Petris Center on Health Care Markets and Consumer Welfare, School of Public Health, University of California-Berkeley, conducted the cost savings analysis presented in this report.

Berkeley
UNIVERSITY OF CALIFORNIA

Table of Contents

EXECUTIVE SUMMARY

Even in today's divisive political environment, there's at least one important area of consensus among policymakers: the threat posed by rising health care costs to both our national economy and the federal and state governments' balance sheets. This concern is particularly acute in the Medicare program, where costs are expected to rise dramatically as new treatments are developed and a generation of Baby Boomers enters retirement. Burgeoning health care costs, it seems certain, will be near the top of Washington, DC's agenda for years to come.

As they work to reduce health care costs and extend the solvency of programs like Medicare, policymakers will confront tough choices in the months and years ahead. Yet, they must also be alert for reforms that cut costs while maintaining quality services for beneficiaries. This analysis by Professor Brent Fulton and Dr. Sue Kim of the University of California at Berkeley explores one possible way for policymakers to generate substantial Medicare savings without reducing services or quality of care.

This study examines ambulatory surgery centers (ASCs). ASCs are technologically advanced medical facilities that provide same-day surgical procedures, including important diagnostic and preventive services like colonoscopies. Today, more than 5,300 Medicare-certified ASCs serve communities throughout our nation. These ASCs perform many of the same procedures as hospital outpatient departments (HOPDs). ASCs, however, are able to provide care much more efficiently and without the often costly overhead associated with hospitals. According to an industry calculation, the Medicare program currently reimburses ASCs at 58 percent of the HOPD rate, meaning that Medicare—and the taxpayers who fund it—realize savings every time a procedure is performed in an ASC instead of an HOPD.

When one considers the millions of same-day surgical procedures performed in ASCs through the Medicare program each year, the nationwide savings add up quickly. In this study, University of California at Berkeley's Professor Brent Fulton and Dr. Sue Kim analyze the numbers to determine how much ASCs save the Medicare program and its beneficiaries. They begin by analyzing government data to identify how much money ASCs saved Medicare in recent years, and then, forecast how much more ASCs will save Medicare in the future. The key findings are the following:

- During the four-year period from 2008 to 2011, ASCs saved the Medicare program and its beneficiaries $7.5 billion. ASCs saved Medicare and its beneficiaries $2.3 billion in 2011 alone.

- $6 billion of these savings were realized by the federal Medicare program. The remaining $1.5 billion went directly to Medicare beneficiaries. In other words, Medicare patients nationwide saved $1.5 billion thanks to the less expensive care offered at ASCs.
- ASCs have the potential to save the Medicare program and its beneficiaries up to $57.6 billion more over the next decade.
- Beneficiaries themselves also stand to save considerably in future years. Because Medicare reimburses ASCs at a lower rate than HOPDs, patients also pay a smaller coinsurance amount in an ASC. The authors use the example of cataract surgery, noting that a Medicare beneficiary will save $148 on his or her coinsurance by electing to undergo surgery in an ASC instead of a hospital.

These findings have important implications for policymakers' ongoing discussion about how to most effectively reduce health care costs and the national budget deficit. The clearest implication is that, while public officials may indeed confront tough choices in the years ahead, the choice to encourage ASC use within the Medicare program is an easy decision. These findings suggest that ASCs offer a "win–win" for patients and the Medicare system, since they provide substantial savings without any corresponding reduction in quality or benefits.

While the future savings offered by ASCs are easily attainable, however, they are not inevitable. Indeed, a discrepancy in Medicare reimbursement policy could jeopardize the savings ASCs provide. Medicare uses two different factors to update ASC and HOPD payments—despite the fact that the two settings provide the same surgical services. ASC payments are updated based on the consumer price index for all urban consumers (CPI-U), which measures changes in the costs of all consumer goods; HOPD rates, meanwhile, are updated on the hospital market basket, which specifically measures changes in the costs of providing health care, and so, more accurately reflects the increased costs that outpatient facilities face.

Since consumer prices have inflated more slowly than medical costs, the gap in ASC and HOPD reimbursement rates has widened over time. If the reimbursement rate for ASCs continues to fall relative to their HOPD counterparts, ASC owners and physicians will face increasing pressure to leave the Medicare system and allow their facilities to be acquired by nearby hospitals. When an ASC is acquired by a hospital, the Medicare reimbursement rate jumps roughly 75 percent. This threatens to turn the cost-saving advantage of ASCs into a perverse market incentive that drives ASCs from the Medicare program.

Already, the widening disparity in reimbursement has led more than 60 ASCs to terminate their participation in Medicare over the last three years. If the reimbursement gap continues to widen, more ASCs will leave the Medicare program. As a result, more Medicare cases will be driven to the HOPD, causing costs to both the Medicare program and its beneficiaries to rise.

Thus, realizing the full potential savings that ASCs offer will likely require policymakers to step in and halt this continuing "slide" in ASC reimbursement rates. Because Medicare saves money virtually every time a procedure is performed in an ASC instead of an HOPD, any policies that reduce the widening reimbursement gap between ASCs and HOPDs, and that otherwise encourage the migration of cases from the hospital setting into ASCs, will increase total savings for the Medicare program and its beneficiaries.

I. AN INTRODUCTION TO AMBULATORY SURGERY CENTERS

Only 40 years ago, virtually all surgeries and diagnostic procedures were performed in hospitals. Today, however, standalone facilities known as Ambulatory Surgery Centers (ASCs) provide outpatient surgical care in an atmosphere removed from the competing demands that are often encountered in an acute care hospital.

ASCs, as this report details, offer patients a cost-effective alternative to hospital outpatient departments (HOPDs). The first ASC opened in 1970, and today, there are more than 5,300 Medicare-certified ASCs in the United States. The overwhelming majority of these ASCs are at least partially owned by physicians, which allows for better control over scheduling, as procedures are not often delayed or rescheduled due to staffing issues or competing demands for operating room space from emergency cases.

ASC surgeons perform a diverse range of procedures, many of them diagnostic or preventive in nature. For example:

- ASCs perform more than 40 percent of all Medicare colonoscopies, contributing to a decade-long decline in colorectal cancer mortality.
- The ASC industry also led the development of minimally invasive procedures and the advancement of technology to replace the intraocular lens, a procedure that is now used nearly one million times each year to restore vision for Medicare patients with cataracts. Once an inpatient hospital procedure, it can now be performed safely at an ASC at a much lower cost.

What is an ASC?

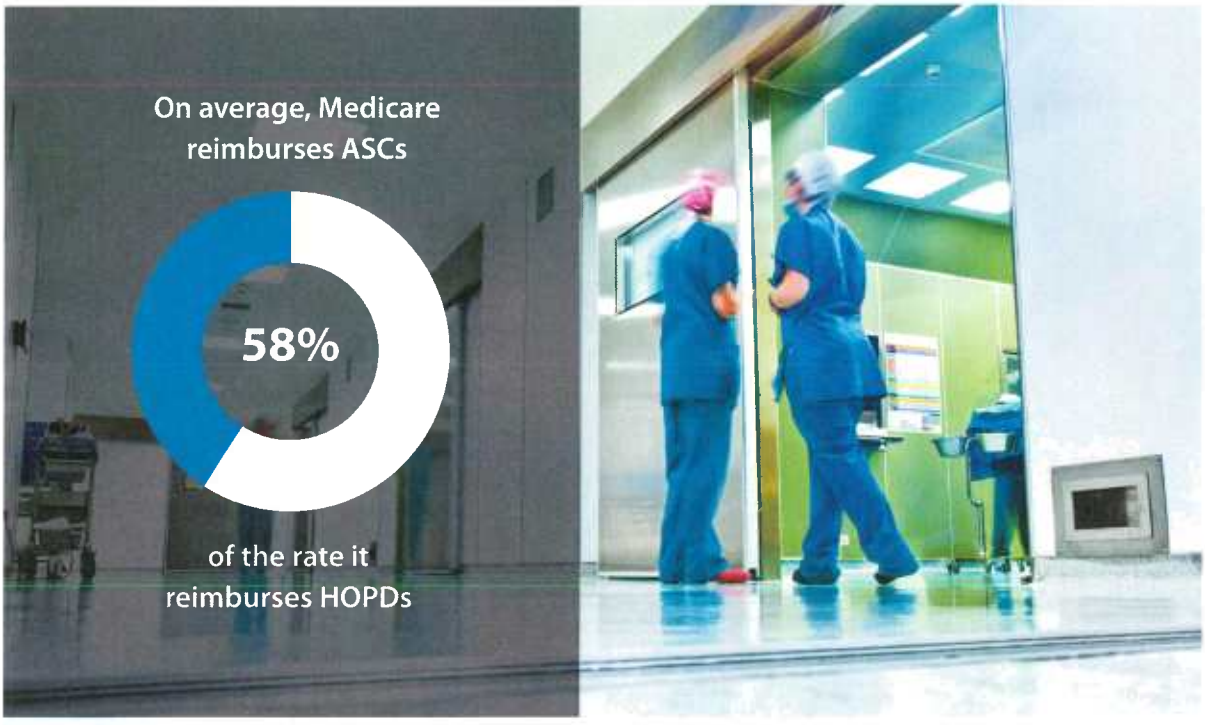
Ambulatory Surgery Centers are modern health care facilities focused on providing a range of same-day surgical care, the same types of procedures that were once performed exclusively in hospitals. Today, as a result of medical advancements and new technologies—including minimally invasive surgical techniques and improved anesthesia—a range of procedures can be performed safely and effectively on an outpatient basis.

II. ASCS: SAVING THE SYSTEM

The more than 5,300 Medicare-certified ASCs in the United States today provide identical services to those performed at HOPDs throughout the country. ASCs are able to perform these surgeries much more efficiently than HOPDs. ASCs do not incur the often substantial administrative and overhead costs associated with a hospital. This enables ASCs to provide these services at substantially less cost to the Medicare program—and to its beneficiaries—than their hospital counterparts.

Today, Medicare reimburses ASCs at an average of 58 percent of the rate it reimburses HOPDs for the same procedures.

The savings that accrue over time, even for individual procedures, are significant. For example, in 2011, Medicare beneficiaries (excluding Medicare Advantage beneficiaries) had 1,709,175 cataract surgeries, of which, 1,120,388 were performed in ASCs and the other 588,787 in HOPDs. The parallel reimbursements per surgery were $951 for an ASC and $1,691 for an HOPD, meaning that every time a patient elected to receive treatment in an ASC, the Medicare program saved $740. When applied across the 1,120,388 cataract surgeries performed in ASCs during 2011, the total savings for this single procedure reached $829 million.



III. COST SAVINGS ANALYSIS

Data and Methodology

Professor Fulton and Dr. Kim conducted the following analysis, which looks at government data from the Centers for Medicare & Medicaid Services (CMS), to answer two fundamental questions. First, how much money did the Medicare program and its beneficiaries save from 2008 to 2011 because surgical and diagnostic procedures were performed at ASCs instead of HOPDs? Second, how much more could the Medicare program and its beneficiaries save over the next decade (2013–2022) if additional procedures move from HOPDs to the ASC setting during that timeframe?

Government data was used to ascertain the volume of procedures performed in ASCs, HOPDs and physician offices from 2008 through 2011, as well as the reimbursement rates for procedures done at ASCs and HOPDs. The volume data reports are from the Medicare Physician Supplier Procedure Specific file available from CMS. It excludes Medicare Advantage enrollees. The ASC reimbursement rates are from the ASC Addendum AA[1], and the HOPD reimbursement rates are from Hospital Outpatient Prospective Payment System Addendum.[2]

When forecasting future cost savings, the Berkeley analysts relied on CMS' predicted number of Medicare beneficiaries from 2013 to 2022. This data set also excludes Medicare Advantage enrollees.[3]

To ensure a realistic baseline for their analysis and predictions, the analysts limited the data set to the 120 procedures most commonly performed at ASCs in 2011, which represented 73 percent of the total volume of all procedures performed in ASCs in 2011. [4]

Past Savings

To estimate the savings generated by ASCs from 2008 to 2011, the analysts calculated the differences in reimbursement rates for each of the 120 procedures, then multiplied those differences by the number of procedures performed at ASCs. For example, the cataract surgery discussed in the previous section, when performed in an ASC, generated a total of $829 million in savings in 2011. They applied the same method for all of the 120 procedures in each year from 2008 to 2011. They broke the numbers into savings that accrued to the Medicare program and savings that directly benefited beneficiaries. The beneficiary share of the total savings was 20 percent over the four-year period. Professor Fulton's and Dr. Kim's analysis found the following:

- During the four-year period from 2008 to 2011, the lower ASC reimbursement rate generated a total of $7.5 billion in savings for the Medicare program and its beneficiaries.
- $6 billion of these savings were realized by the federal Medicare program. The remaining $1.5 billion was saved by Medicare beneficiaries themselves. In other words, Medicare patients nationwide saved $1.5 billion thanks to the less expensive care offered at ASCs.
- These savings increased each year, rising from $1.5 billion in 2008 to $2.3 billion in 2011. The increase results from the total number of procedures growing from 20.4 million to 24.7 million (or 6.6 percent annually) between 2008 and 2011 as well as the reimbursement rate gap widening between HOPDs and ACSs. These savings were realized despite the share of total Medicare procedures performed in ASCs decreasing over this period, falling from 22.9 percent in 2008 to 21.7 percent in 2011.

1 http://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/ASCPayment/11_Addenda_Updates.html
2 http://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/HospitalOutpatientPPS/Addendum-A-and-Addendum-B-Updates.html
3 http://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/ReportsTrustFunds/downloads/tr2011.pdf (p.51).
4 The data set was initially narrowed to 148 procedures, which represented about 90% of the total volume. Twenty-seven procedures were dropped because of missing data on the number of procedures or reimbursement rates. One additional procedure was dropped the ASC share was 100%, and it thus provided no basis for comparison with HOPDs.

These findings are illustrated in the following chart.

Descriptor	Annual Change	Total (2008—2011)	2008	2009	2010	2011
Number of procedures per 1,000 Medicare beneficiaries	5.6%		573.9	587.3	600.3	674.9
Procedures (million)						
ASC	4.7%	19.5	4.7	4.7	4.8	5.4
HOPD	5.9%	22.3	5.3	5.3	5.4	6.3
Physician office	7.7%	45.5	10.4	10.8	11.3	13.0
Total # of procedures	6.6%	87.3	20.4	20.8	21.5	24.7
ASC share*	1.5%	22.3%	22.9%	22.7%	22.3%	21.7%
Savings ($billion) **						
Program	16.6%	$6.0	$1.2	$1.4	$1.5	$1.9
Beneficiaries	14.8%	$1.5	$0.3	$0.4	$0.4	$0.5
Total***	16.3%	$7.5	$1.5	$1.8	$1.9	$2.3

Notes:

* The ASC share reported in the table is influenced by (or weighted for) high-volume procedures, such as cataracts. The analysts also calculated the ASC share based on a simple average across the 120 procedures. The ASC shares for 2008 to 2011 were 30.4%, 31.0%, 31.4% and 31.8%, respectively, each year, and averaged 31.1% over the four years.

**Savings are reported in nominal dollars.

***Totals may not sum and percentages may not total to 100% due to rounding.

Future Savings

The ASC industry is certain to continue generating savings to both the Medicare program and its beneficiaries over the next decade. The magnitude of these savings, however, will hinge on whether, and how much, the ASC share of surgeries grows within the Medicare program. That growth rate will, in turn, depend on market trends, demographic factors and how policymakers act—or decline to act—to encourage the use of ASCs within the Medicare program.

To estimate the savings Medicare would realize from having more procedures performed in ASCs from 2013 to 2022, Professor Fulton and Dr. Kim applied the methodology above to six scenarios. These six scenarios, which incorporate different assumptions about both the growth of ASC share and the overall growth of Medicare procedure rates, provide a range of possible savings offered by ASCs in the next decade.

The analysts divided the scenarios into two subsets. For subset A, they assumed that the number of procedures per 1,000 Medicare beneficiaries would remain constant at the 2010 rate. For subset B, they assumed that the 2011 rate would increase by 3 percent annually for each procedure.[5] Within each subset, the analysts examined three scenarios:

1. The ASC share of each procedure in 2011 will remain constant between 2013 and 2022. *This is a baseline assumption that assumes ASC share does not grow at all in the coming decade.*

2. The ASC share of each procedure will increase by 2 percent per year from 2013 through 2022, equivalent to the average increase across procedures from 2008 through 2011.[6] The analysts capped the share for any given procedure at 90 percent to avoid implausible assumptions.

3. The ASC share growth for each procedure will vary depending on that procedure's historical share growth rate. The analysts assumed three growth rates and, again, capped the share for any single procedure at 90 percent.

    - The "low" group included procedures that had negative or no growth in the share of procedures performed at ASCs during 2008–2011. The analysts assumed that the ASC share of these procedures will increase 1 percent annually from 2013–2022. This group included approximately 30 percent of the procedures.

    - The "middle" group included procedures that had up to 5 percent growth in share of procedures performed at ASCs during 2008–2011. It was assumed that the ASC share of these procedures will increase 5 percent annually from 2013–2022. This group included approximately 43 percent of the procedures.

    - The "high" group included procedures that had greater than 5 percent growth in share of procedures performed at ASCs during 2008–2011. This group had a median ASC share growth rate of about 11 percent annually during 2008–2011. The analysts projected that the ASC share of these procedures will increase 10 percent annually from 2013–2022. This group included approximately 27 percent of the procedures.

The estimated savings are tabulated in the following table. The savings analysis and predictions for each individual procedure are tabulated in the appendix.

5 The number of procedures per 1,000 Medicare beneficiaries significantly increased between 2010 and 2011 (see table on page 9). For the lower-savings estimates (subset A), the lower 2010 rate was used as a baseline. For the higher-savings estimates (subset B), the 2011 rate was used as the baseline.

6 The 2% annual average increase is based on a simple average across the 120 procedures, meaning the average is not influenced by (or weighted for) for high-volume procedures, such as cataracts.

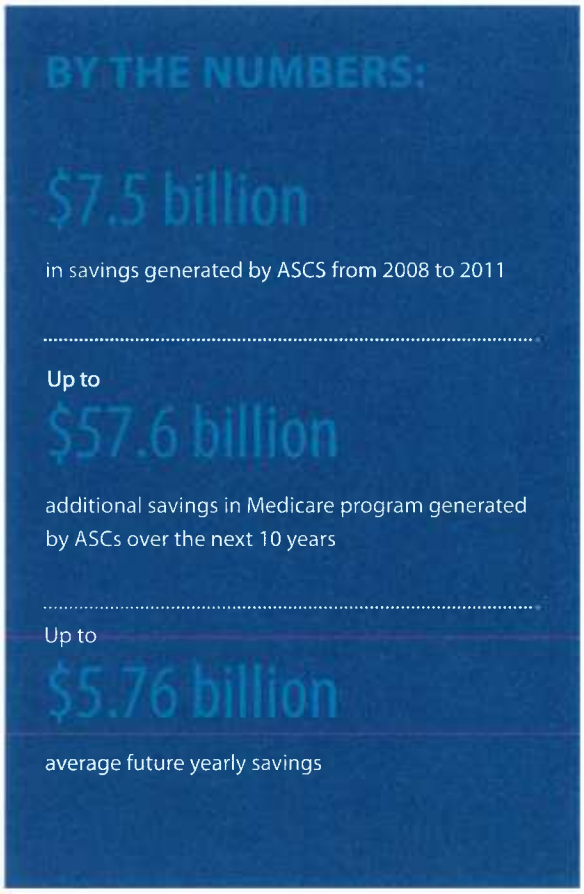
Projected Savings ($Billion)	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2013-2017	2018-2022	2013-2022
A. Volume of Procedures per 1,000 Medicare Beneficiaries Remains Constant and:													
A1. ASC share remains constant	$2.3	$2.5	$2.8	$3.0	$3.2	$3.3	$3.5	$3.7	$4.0	$4.2	$13.7	$18.7	$32.5
A2. ASC share increases at 2% annually	$2.4	$2.7	$3.0	$3.3	$3.6	$3.8	$4.1	$4.4	$4.8	$5.2	$14.9	$22.5	$37.3
A3. ASC share increases either 1%, 5% or 10% annually (depending on the procedure)	$2.5	$2.8	$3.1	$3.5	$3.8	$4.2	$4.6	$5.0	$5.5	$6.0	$15.7	$25.3	$41.0
B. Volume of Procedures per 1,000 Medicare Beneficiaries Increases by 3% Annually and:													
B1. ASC share remains constant	$2.8	$3.1	$3.5	$3.9	$4.3	$4.7	$5.1	$5.5	$6.0	$6.6	$17.6	$27.9	$45.5
B2. ASC share increases at 2% annually	$2.9	$3.3	$3.8	$4.3	$4.8	$5.4	$5.9	$6.6	$7.4	$8.2	$19.1	$33.4	$52.6
B3. ASC share increases either 1%, 5% or 10% annually (depending on the procedure)	$3.0	$3.5	$4.0	$4.6	$5.2	$5.8	$6.6	$7.4	$8.3	$9.4	$20.2	$37.5	$57.6

Note: Savings are reported in nominal dollars. In all scenarios, the Berkeley analysts inflated the reimbursement amounts over time using a forecasted Consumer Price Index for All Urban Consumers, which averaged 2.4% from 2013–2022.

Conclusions

ASCs saved the Medicare program and its beneficiaries $7.5 billion over the four-year period from 2008 to 2011. Even under the most conservative assumptions, the future savings generated by ASCs are substantial.

- Under the baseline scenario, which assumes that neither ASC share nor Medicare procedure volume will grow over the next decade, ASCs will save the Medicare program an additional $32.5 billion during that time.
- As the share of procedures performed in ASCs grows within the Medicare program, so do the savings. If ASC share within the Medicare system increases even slightly, as in scenarios B2 and B3, the savings could exceed $57.6 billion over 10 years—an average savings of $5.76 billion each year.
- Medicare beneficiaries also save money by choosing ASCs, since a lower Medicare reimbursement rate means that patients, in turn, pay a smaller coinsurance. While the forward-looking portion of this study does not examine coinsurance rates for each procedure, it is clear that the savings realized by the Medicare program imply additional savings for beneficiaries. Using the example of cataract surgeries: a Medicare beneficiary will pay coinsurance of $338.20 for such a surgery to be performed in an HOPD, but only $190.20 for that same surgery in an ASC—a $148 savings that goes directly to the patient.



Further, the above estimates are quite conservative. Even the most "optimistic" scenario assumes that ASC share growth per procedure grows only modestly more quickly than historical averages, and that Medicare volume grows at a modest, and historically consistent, rate. If policy decisions or other factors cause either growth rate to accelerate further, the savings generated by ASCs within the Medicare system would certainly exceed the $57.6 billion estimated here.

A final note: although this study examined only data from the Medicare program, ASCs typically also charge private payers, including those in the Medicare Advantage program, less than their HOPD counterparts. Thus, similar cost savings also exist in the commercial health insurance market and in the Medicare Advantage program. We believe it is important to quantify these private-side savings as well and encourage others to examine this subject in future studies.

IV. POLICY IMPLICATIONS AND CONSIDERATIONS

An aging population, along with inflation in health care costs, means that the federal government's expenditures through the Medicare program are projected to increase substantially in the coming years. Consequently, policymakers in Washington, DC, are exploring potential ways to reduce projected Medicare outlays and extend the program's solvency. We believe that this study offers an important contribution to that discussion. Two specific policy concerns stand out.

AVOIDING ASC TO HOPD CONVERSIONS

Our first and most important observation is that, while the future savings offered by ASCs are easily attainable, they are not inevitable. Because they provide identical services to HOPDs but do so at an average of 58 percent of the reimbursement rate that the Medicare program pays HOPDs for those services, ASCs represent a source of value to the program and the taxpayers who fund it. A discrepancy in the way Medicare reimbursement rates are updated, however, threatens to marginalize ASCs' role within the program.

CMS currently applies different measures of inflation to determine the adjustments it provides to its payment systems for ASCs and HOPDs each year. For ASCs, that measure is the CPI-U, which is tied to consumer prices. The index for HOPD reimbursements, on the other hand, remains tied to the hospital market basket, which measures inflation in actual medical costs. Since consumer prices have inflated more slowly than medical costs, the gap in ASC and HOPD reimbursement rates has widened over time. As the reimbursement rate for ASCs continues to fall relative to their HOPD counterparts, ASC owners and physicians will face increasing pressure to leave the Medicare system and allow their facilities to be acquired by nearby hospitals.

When an ASC is acquired by a hospital, in what is known as "an ASC to HOPD conversion," the Medicare reimbursement rate jumps roughly 75 percent and all savings to the Medicare program and its beneficiaries are promptly lost. The continuing reduction in reimbursement led more than 60 ASCs to terminate their participation in Medicare over the last three years. If policymakers allow this gap in reimbursements to continue widening, the cost-saving advantage that ASCs offer could morph into a perverse market incentive that drives ASCs from the Medicare program.

Some in Congress have introduced legislation, which is titled the "Ambulatory Surgical Center Quality and Access Act," that aims to fix this problem. This bill would correct the imbalance in reimbursement indices and ensure that ASC reimbursements do not continue to fall relative to their HOPD counterparts. Additionally, it would establish an ASC value-based purchasing (VBP) program designed to foster collaboration between ASCs and the government and create additional savings for the Medicare system in the process.

ASCS AS PART OF BROADER COST-SAVINGS EFFORTS

Many of the policy options aimed at reducing Medicare costs that are being considered in Congress today involve important "trade-offs," where reduced outlays come at the expense of retirees' benefits. Often-discussed options such as raising the Medicare retirement age or increasing cost-sharing, for example, generate savings as a direct result of reducing the amount of benefits delivered by the Medicare program. The savings offered by ASCs, however, do not involve such trade-offs; they make it possible for the Medicare program, and its beneficiaries, to realize significant savings without any corresponding reduction in benefits.

There are more than 5,300 Medicare-certified ASCs throughout the country, all of which represent an important source of efficiency for the Medicare program and the taxpayers who fund it. We recommend that policymakers explore all potential options for encouraging further growth of ASC share within the Medicare system.

APPENDIX: METHODOLOGY AND CHART OF INDIVIDUAL PROCEDURE SAVINGS

The following table shows detailed statistics for the 120 procedures. In the table, the procedures are first sorted by the annual ASC share increase assumptions in Scenarios A3 and B3, which were 1, 5, and 10 percent annually (see Column "% ASC Share Growth Assumptions for A3 and B3"). Within the 1, 5, and 10 percent buckets, the procedures are then sorted based on the savings they generated in 2011 (see Column "Savings 2011").

The table shows the average annual change in the ASC share from 2008 through 2011, the 2011 ASC share of procedures and projected ASC share in 2022 if the share increases by 2 percent annually or in the range of 1 to 10 percent annually. In addition, it shows the 2011 and projected 2022 volume per 1,000 Medicare beneficiaries. Most importantly, those columns are followed by two sets of three columns that show the projected savings estimates in 2022 when the number of procedures per 1,000 Medicare beneficiaries remains constant and when the number of procedures per 1,000 Medicare beneficiaries increases by 3 percent per year. Within each set, the ASC share assumptions are based on the assumptions presented in the table on page 11.

The first row of the table illustrates that cataract surgeries (HCPCS 66984) alone generated a savings of $829 million in 2011. In 2011, the ASC share of this procedure was 56 percent, and that share either increases to 62 or 69 percent depending on the scenario. Depending on whether the number of cataract surgeries per 1,000 Medicare beneficiaries increases and the share of procedures performed in ASCs, the projected savings for Medicare and its beneficiaries range from $1.5 billion to $2.95 billion in 2022.

The last row of the table shows column totals and averages (see page 9). In 2011, there were $2.3 billion in savings for the 120 procedures, and the projected savings in 2022 range from $4.2 billion to $9.4 billion, depending on the scenario.

No.	HCPCS	HCPCS Description	Savings 2011 ($million)	Average Annual ASC Share Change 2008-2011	Baseline: 2011 ASC Share of Procedures	Projected ASC Share for 2022 (2% increase per year)	Projected ASC Share for 2022 (share increase varies)	2011 Volume of Procedures (# per 1,000 Medicare Beneficiaries)	Projected Volume of Procedures for 2022 (# per 1,000 Medicare Beneficiaries)*	Volume per 1,000 Medicare Beneficiaries Remains Constant			Volume per 1,000 Medicare Beneficiaries Increases By 3% per Year			% ASC Annual Share Growth Assumption for A3 & B3	Reimbursement Difference Between ASCs and HOPDs 2011
										A1. Baseline: Savings for 2022 (ASC share remains constant) ($million)	A2. Savings for 2022 (ASC share increases 2% per year) ($million)	A3. Savings for 2022 (ASC share increase varies) ($million)	B1. Baseline: Savings for 2022 (ASC share remains constant) ($million)	B2. Savings for 2022 (ASC share increases 2% per year) ($million)	B3. Savings for 2022 (ASC share increase varies) ($million)		
1	66984	Cataract surg w/iol 1 stage	$829	-3.56%	56%	69%	62%	54.9	76.0	$1,500	$1,870	$1,670	$2,370	$2,950	$2,650	1%	$740
2	66982	Cataract surgery complex	$63	-0.96%	52%	65%	59%	4.4	6.1	$116	$144	$129	$180	$224	$201	1%	$740
3	64483	Inj foramen epidural l/s	$60	-3.02%	35%	44%	39%	20.6	28.5	$106	$132	$119	$173	$215	$193	1%	$229
4	62311	Inject spine l/s (cd)	$53	-13.67%	26%	33%	29%	24.1	33.4	$73	$91	$82	$152	$188	$169	1%	$229
5	66821	After cataract laser surgery	$43	-2.96%	43%	54%	48%	16.2	22.4	$86	$107	$96	$124	$154	$138	1%	$169
6	29881	Knee arthroscopy/surgery	$25	-0.25%	39%	48%	43%	2.0	2.7	$51	$64	$57	$71	$89	$79	1%	$903
7	28285	Repair of hammertoe	$22	-0.22%	37%	46%	41%	2.4	3.3	$38	$47	$43	$64	$79	$71	1%	$681
8	43235	Uppr gi endoscopy diagnosis	$21	-0.18%	34%	43%	38%	6.1	8.5	$38	$47	$42	$59	$73	$66	1%	$268
9	64622	Destr paravertebrl nerve l/s	$18	-4.98%	35%	44%	40%	3.6	5.0	$28	$34	$31	$52	$64	$58	1%	$386
10	52000	Cystoscopy	$16	-0.03%	8%	10%	9%	24.4	33.8	$33	$41	$37	$47	$58	$52	1%	$224
11	62310	Inject spine c/t	$14	-13.54%	30%	37%	33%	5.5	7.6	$18	$23	$20	$39	$49	$44	1%	$229
12	29848	Wrist endoscopy/surgery	$11	-0.10%	51%	63%	57%	0.7	0.9	$20	$25	$23	$32	$40	$36	1%	$903
13	29823	Shoulder arthroscopy/surgery	$10	-2.73%	28%	35%	31%	0.7	0.9	$14	$17	$16	$29	$36	$32	1%	$1,460
14	63650	Implant neuroelectrodes	$9	-20.87%	24%	29%	26%	1.2	1.7	$10	$12	$11	$26	$32	$29	1%	$846
15	20680	Removal of support implant	$7	-1.14%	26%	32%	29%	1.1	1.5	$14	$17	$15	$21	$27	$24	1%	$720
16	28296	Correction of bunion	$7	-0.91%	41%	50%	45%	0.5	0.7	$15	$18	$17	$20	$25	$23	1%	$1,002
17	52005	Cystoscopy & ureter catheter	$7	-0.11%	25%	31%	28%	0.9	1.3	$12	$15	$13	$19	$24	$22	1%	$794
18	45381	Colonoscopy submucous inj	$7	-4.10%	43%	54%	48%	1.5	2.0	$7	$9	$8	$19	$23	$21	1%	$281
19	36561	Insert tunneled cv cath	$6	-1.43%	7%	8%	7%	2.6	3.7	$12	$15	$13	$17	$21	$19	1%	$927
20	29875	Knee arthroscopy/surgery	$5	-1.21%	46%	57%	51%	0.3	0.4	$8	$10	$9	$14	$17	$15	1%	$903
21	30520	Repair of nasal septum	$5	-0.30%	30%	37%	34%	0.6	0.8	$8	$9	$8	$14	$17	$15	1%	$773
22	52281	Cystoscopy and treatment	$5	-0.75%	9%	11%	10%	2.7	3.7	$11	$13	$12	$14	$17	$15	1%	$530
23	58558	Hysteroscopy biopsy	$4	-2.25%	13%	17%	15%	1.1	1.5	$7	$9	$8	$10	$13	$12	1%	$696
24	65426	Removal of eye lesion	$3	-0.03%	59%	73%	66%	0.2	0.2	$5	$6	$6	$8	$10	$9	1%	$736
25	64626	Destr paravertebrl nerve c/t	$3	-7.96%	38%	48%	43%	0.8	1.2	$4	$5	$5	$8	$10	$9	1%	$229
26	14041	Skin tissue rearrangement	$3	-2.49%	13%	16%	15%	1.0	1.4	$5	$6	$6	$7	$9	$8	1%	$519
27	43251	Operative upper GI endoscopy	$2	-0.85%	35%	44%	39%	0.6	0.9	$4	$5	$4	$6	$8	$7	1%	$268
28	64627	Destr paravertebral n add-on	$2	-0.43%	39%	48%	43%	1.9	2.6	$3	$3	$3	$6	$8	$7	1%	$80
29	44361	Small bowel endoscopy/biopsy	$2	-1.36%	53%	66%	60%	0.3	0.5	$4	$5	$4	$6	$7	$6	1%	$307
30	62264	Epidural lysis on single day	$2	-17.63%	29%	36%	32%	0.4	0.5	$2	$2	$2	$5	$6	$5	1%	$386

No.	HCPCS	HCPCS Description	Savings 2011 ($million)	Average Annual ASC Share Change 2008-2011	Baseline: 2011 ASC Share of Procedures	Projected ASC Share for 2022 (2% increase per year)	Projected ASC Share for 2022 (share increase varies)	2011 Volume of Procedures (# per 1,000 Medicare Beneficiaries)	Projected Volume of Procedures for 2022 (# per 1,000 Medicare Beneficiaries)*	Volume per 1,000 Medicare Beneficiaries Remains Constant			Volume per 1,000 Medicare Beneficiaries Increases By 3% per Year			% ASC Annual Share Growth Assumption for A3 & B3	Reimbursement Difference Between ASCs and HOPDs 2011
										A1. Baseline: Savings for 2022 (ASC share remains constant) ($million)	A2. Savings for 2022 (ASC share increases 2% per year) ($million)	A3. Savings for 2022 (ASC share increase varies) ($million)	B1. Baseline: Savings for 2022 (ASC share remains constant) ($million)	B2. Savings for 2022 (ASC share increases 2% per year) ($million)	B3. Savings for 2022 (ASC share increase varies) ($million)		
31	13132	Repair of wound or lesion	$2	-4.69%	6%	7%	6%	5.3	7.4	$2	$3	$3	$5	$6	$5	1%	$140
32	62319	Inject spine w/cath l/s (cd)	$2	-18.47%	30%	38%	34%	0.4	0.5	$2	$2	$2	$4	$6	$5	1%	$386
33	64520	N block lumbar/thoracic	$1	-13.74%	23%	29%	26%	0.6	0.8	$1	$2	$2	$3	$4	$4	1%	$229
34	64450	N block other peripheral	$1	-1.62%	1%	2%	1%	10.2	14.1	$1	$1	$1	$3	$4	$3	1%	$226
35	11042	Deb subq tissue 20 sq cm/<	$1	-14.48%	1%	1%	1%	28.9	40.0	$1	$2	$2	$2	$3	$2	1%	$82
36	20552	Inj trigger point 1/2 muscl	$1	-7.74%	1%	2%	1%	8.3	11.5	$1	$1	$1	$2	$2	$2	1%	$163
37	43239	Upper gi endoscopy biopsy	$143	0.58%	45%	55%	76%	32.8	45.5	$243	$303	$416	$409	$509	$700	5%	$268
38	45380	Colonoscopy and biopsy	$107	1.11%	48%	59%	82%	21.8	30.2	$197	$245	$336	$306	$380	$523	5%	$281
39	45385	Lesion removal colonoscopy	$82	2.10%	46%	58%	79%	17.2	23.9	$162	$202	$278	$236	$293	$403	5%	$281
40	45378	Diagnostic colonoscopy	$66	0.27%	40%	49%	68%	16.2	22.4	$157	$195	$268	$190	$236	$324	5%	$281
41	29826	Shoulder arthroscopy/surgery	$38	1.27%	33%	40%	56%	2.2	3.1	$53	$66	$91	$110	$137	$188	5%	$1,460
42	G0105	Colorectal scrn; hi risk ind	$30	2.48%	52%	64%	88%	6.3	8.7	$54	$68	$93	$85	$105	$145	5%	$249
43	64721	Carpal tunnel surgery	$25	1.01%	40%	50%	68%	3.0	4.2	$50	$62	$85	$72	$90	$124	5%	$577
44	64623	Destr paravertebral n add-on	$24	4.03%	36%	44%	61%	8.1	11.2	$31	$39	$53	$69	$86	$118	5%	$229
45	G0121	Colon ca scrn not hi rsk ind	$24	2.22%	45%	56%	77%	5.8	8.0	$42	$52	$72	$68	$84	$115	5%	$249
46	29827	Arthroscop rotator cuff repr	$23	3.71%	32%	39%	54%	1.4	1.9	$44	$55	$75	$66	$82	$112	5%	$1,460
47	29880	Knee arthroscopy/surgery	$21	1.64%	41%	51%	71%	1.5	2.1	$44	$55	$76	$59	$73	$100	5%	$903
48	45384	Lesion remove colonoscopy	$19	0.93%	42%	52%	71%	4.5	6.3	$40	$49	$68	$56	$69	$95	5%	$281
49	67904	Repair eyelid defect	$17	3.55%	63%	79%	90%	1.2	1.7	$32	$40	$46	$48	$60	$69	5%	$603
50	64484	Inj foramen epidural add-on	$16	3.71%	34%	42%	58%	11.2	15.6	$23	$29	$40	$46	$58	$79	5%	$117
51	26055	Incise finger tendon sheath	$16	1.20%	44%	55%	76%	1.9	2.7	$28	$35	$49	$46	$58	$79	5%	$517
52	43248	Uppr gi endoscopy/guide wire	$14	0.86%	53%	67%	90%	2.6	3.6	$25	$31	$42	$39	$49	$66	5%	$268
53	29824	Shoulder arthroscopy/surgery	$11	0.45%	33%	42%	57%	1.0	1.4	$15	$19	$26	$32	$40	$55	5%	$903
54	49505	Prp i/hern init reduc >5 yr	$11	2.77%	15%	19%	26%	1.9	2.7	$23	$28	$39	$30	$38	$52	5%	$997
55	67917	Repair eyelid defect	$10	3.72%	60%	74%	90%	0.8	1.0	$18	$23	$27	$28	$35	$43	5%	$603
56	23412	Repair rotator cuff chronic	$10	3.46%	33%	41%	56%	0.6	0.8	$20	$25	$34	$27	$34	$47	5%	$1,426
57	14060	Skin tissue rearrangement	$9	0.50%	18%	22%	30%	2.6	3.6	$18	$22	$30	$25	$31	$43	5%	$519
58	55700	Biopsy of prostate	$8	2.92%	12%	14%	20%	5.1	7.0	$17	$21	$29	$24	$30	$42	5%	$393
59	66180	Implant eye shunt	$8	3.44%	52%	65%	89%	0.3	0.4	$16	$20	$27	$22	$27	$38	5%	$1,303
60	43450	Dilate esophagus	$8	1.82%	54%	67%	90%	1.9	2.7	$8	$11	$14	$22	$27	$36	5%	$198

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										A1. Baseline: Savings for 2022 (ASC share remains constant) ($million)	A2. Savings for 2022 (ASC share increases 2% per year) ($million)	A3. Savings for 2022 (ASC share increase varies) ($million)	B1. Baseline: Savings for 2022 (ASC share remains constant) ($million)	B2. Savings for 2022 (ASC share increases 2% per year) ($million)	B3. Savings for 2022 (ASC share increase varies) ($million)		
61	25447	Repair wrist joint(s)	$7	1.12%	47%	58%	80%	0.4	0.5	$14	$17	$23	$21	$26	$36	5%	$1,184
62	43249	Esoph endoscopy dilation	$7	1.08%	30%	38%	52%	2.2	3.1	$12	$15	$20	$19	$24	$33	5%	$268
63	66170	Glaucoma surgery	$6	4.40%	61%	76%	90%	0.4	0.5	$13	$16	$19	$18	$23	$27	5%	$736
64	29822	Shoulder arthroscopy/surgery	$6	2.28%	36%	45%	61%	0.5	0.7	$10	$13	$17	$18	$23	$31	5%	$903
65	14040	Skin tissue rearrangement	$6	1.83%	16%	20%	27%	2.1	2.9	$13	$16	$22	$18	$23	$31	5%	$519
66	28270	Release of foot contracture	$5	3.02%	28%	35%	48%	0.8	1.1	$9	$12	$16	$15	$19	$26	5%	$681
67	15260	Skin full graft een & lips	$5	4.70%	18%	22%	31%	1.5	2.0	$10	$12	$17	$14	$18	$25	5%	$519
68	45383	Lesion removal colonoscopy	$5	1.36%	36%	45%	62%	1.3	1.8	$10	$13	$18	$14	$17	$24	5%	$281
69	66711	Ciliary endoscopic ablation	$5	1.70%	79%	90%	90%	0.3	0.4	$7	$8	$8	$14	$16	$16	5%	$539
70	67924	Repair eyelid defect	$5	3.72%	61%	76%	90%	0.3	0.5	$9	$11	$13	$13	$17	$20	5%	$603
71	52353	Cystouretero w/lithotripsy	$4	4.90%	13%	16%	21%	0.8	1.2	$8	$10	$14	$12	$15	$21	5%	$1,126
72	67028	Injection eye drug	$4	3.19%	1%	1%	2%	54.4	75.4	$6	$8	$11	$11	$14	$19	5%	$169
73	52234	Cystoscopy and treatment	$4	1.27%	19%	24%	33%	0.7	0.9	$7	$9	$13	$11	$13	$18	5%	$794
74	64718	Revise ulnar nerve at elbow	$4	3.70%	36%	45%	62%	0.5	0.7	$6	$8	$11	$11	$13	$18	5%	$577
75	28308	Incision of metatarsal	$3	1.92%	38%	48%	65%	0.4	0.5	$5	$7	$9	$10	$12	$17	5%	$681
76	26123	Release palm contracture	$3	1.37%	47%	58%	80%	0.2	0.3	$8	$10	$13	$10	$12	$17	5%	$897
77	26160	Remove tendon sheath lesion	$3	0.77%	44%	55%	75%	0.4	0.6	$6	$8	$11	$10	$12	$17	5%	$517
78	67950	Revision of eyelid	$3	2.29%	64%	80%	90%	0.2	0.3	$5	$7	$7	$9	$12	$13	5%	$603
79	52224	Cystoscopy and treatment	$3	4.95%	8%	11%	14%	1.3	1.9	$7	$9	$12	$9	$12	$16	5%	$794
80	52310	Cystoscopy and treatment	$3	0.06%	9%	11%	16%	1.8	2.5	$6	$8	$10	$9	$11	$15	5%	$530
81	67961	Revision of eyelid	$3	1.27%	55%	69%	90%	0.2	0.3	$5	$6	$9	$9	$11	$14	5%	$603
82	52235	Cystoscopy and treatment	$3	2.23%	14%	18%	24%	0.7	1.0	$6	$7	$10	$9	$11	$15	5%	$794
83	66986	Exchange lens prosthesis	$3	0.17%	63%	78%	90%	0.2	0.2	$5	$6	$7	$8	$10	$12	5%	$740
84	64479	Inj foramen epidural c/t	$3	0.16%	31%	38%	53%	1.1	1.5	$5	$6	$9	$8	$10	$14	5%	$229
85	66250	Follow-up surgery of eye	$2	1.83%	37%	46%	64%	0.3	0.4	$4	$5	$7	$6	$7	$10	5%	$539
86	14061	Skin tissue rearrangement	$2	1.01%	16%	19%	27%	0.7	0.9	$4	$5	$7	$6	$7	$10	5%	$519
87	17311	Mohs 1 stage h/n/hf/g	$1	3.76%	1%	2%	2%	14.8	20.5	$2	$2	$3	$3	$4	$5	5%	$162
88	13121	Repair of wound or lesion	$1	0.48%	6%	7%	10%	2.8	3.8	$1	$1	$1	$2	$2	$3	5%	$95
89	15823	Revision of upper eyelid	$41	6.61%	68%	85%	90%	2.4	3.4	$84	$105	$111	$117	$146	$155	10%	$671
90	50590	Fragmenting of kidney stone	$13	10.88%	18%	23%	52%	1.5	2.1	$25	$31	$72	$36	$45	$103	10%	$1,265

No.	HCPCS	HCPCS Description	Savings 2011 ($million)	Average Annual ASC Share Change 2008-2011	Baseline: 2011 ASC Share of Procedures	Projected ASC Share for 2022 (2% increase per year)	Projected ASC Share for 2022 (share increase varies)	2011 Volume of Procedures (# per 1,000 Medicare Beneficiaries)	Projected Volume of Procedures for 2022 (# per 1,000 Medicare Beneficiaries)*	Volume per 1,000 Medicare Beneficiaries Remains Constant			Volume per 1,000 Medicare Beneficiaries Increases By 3% per Year			% ASC Annual Share Growth Assumption for A3 & B3	Reimbursement Difference Between ASCs and HOPDs 2011
										A1. Baseline: Savings for 2022 (ASC share remains constant) ($million)	A2. Savings for 2022 (ASC share increases 2% per year) ($million)	A3. Savings for 2022 (ASC share increase varies) ($million)	B1. Baseline: Savings for 2022 (ASC share remains constant) ($million)	B2. Savings for 2022 (ASC share increases 2% per year) ($million)	B3. Savings for 2022 (ASC share increase varies) ($million)		
91	67042	Vit for macular hole	$13	7.78%	42%	53%	90%	0.7	0.9	$26	$32	$55	$36	$45	$77	10%	$1,234
92	52332	Cystoscopy and treatment	$10	5.10%	13%	16%	36%	2.6	3.6	$15	$18	$42	$27	$34	$78	10%	$794
93	67041	Vit for macular pucker	$9	7.36%	40%	50%	90%	0.5	0.6	$19	$24	$42	$24	$30	$54	10%	$1,234
94	65855	Laser surgery of eye	$8	10.98%	22%	28%	63%	4.0	5.6	$18	$23	$52	$24	$30	$68	10%	$257
95	67900	Repair brow defect	$8	7.23%	68%	85%	90%	0.4	0.6	$14	$18	$19	$24	$30	$32	10%	$801
96	31255	Removal of ethmoid sinus	$8	11.19%	39%	49%	90%	0.6	0.8	$17	$21	$38	$22	$28	$51	10%	$933
97	67036	Removal of inner eye fluid	$6	10.53%	38%	47%	90%	0.4	0.5	$13	$16	$31	$18	$23	$43	10%	$1,234
98	31267	Endoscopy maxillary sinus	$6	11.09%	37%	46%	90%	0.5	0.7	$11	$14	$26	$18	$22	$44	10%	$933
99	30140	Resect inferior turbinate	$6	16.88%	39%	48%	90%	0.5	0.7	$12	$15	$28	$16	$20	$37	10%	$773
100	67108	Repair detached retina	$6	11.99%	34%	43%	90%	0.4	0.5	$11	$14	$29	$16	$20	$42	10%	$1,234
101	47562	Laparoscopic cholecystectomy	$5	11.18%	6%	7%	16%	1.8	2.5	$11	$14	$32	$16	$19	$44	10%	$1,442
102	66761	Revision of iris	$5	5.24%	27%	34%	78%	2.2	3.1	$11	$13	$31	$15	$19	$43	10%	$237
103	67040	Laser treatment of retina	$5	8.70%	33%	41%	90%	0.3	0.4	$10	$12	$27	$13	$17	$36	10%	$1,234
104	52204	Cystoscopy w/biopsy(s)	$5	7.61%	19%	24%	55%	0.8	1.1	$9	$11	$25	$13	$16	$37	10%	$794
105	20610	Drain/inject joint/bursa	$4	18.62%	0.5%	1%	1%	153.1	212.0	$8	$10	$24	$12	$14	$33	10%	$149
106	31256	Exploration maxillary sinus	$4	8.96%	37%	46%	90%	0.3	0.4	$7	$9	$18	$12	$14	$28	10%	$933
107	31276	Sinus endoscopy surgical	$4	22.38%	33%	41%	90%	0.4	0.5	$10	$12	$27	$11	$14	$31	10%	$933
108	64640	Injection treatment of nerve	$4	75.05%	13%	16%	36%	1.8	2.4	$6	$8	$18	$10	$13	$29	10%	$437
109	67255	Reinforce/graft eye wall	$3	6.57%	50%	63%	90%	0.3	0.3	$4	$6	$8	$9	$12	$17	10%	$706
110	69436	Create eardrum opening	$3	11.68%	40%	50%	90%	0.3	0.5	$6	$8	$14	$7	$9	$17	10%	$522
111	45330	Diagnostic sigmoidoscopy	$2	15.64%	17%	21%	48%	1.3	1.7	$5	$6	$14	$7	$9	$20	10%	$324
112	68815	Probe nasolacrimal duct	$2	9.08%	51%	64%	90%	0.2	0.3	$4	$5	$6	$7	$9	$12	10%	$603
113	46221	Ligation of hemorrhoid(s)	$2	59.92%	11%	14%	33%	1.7	2.4	$4	$5	$11	$6	$8	$18	10%	$296
114	67840	Remove eyelid lesion	$2	15.10%	8%	10%	24%	1.4	2.0	$4	$4	$10	$5	$6	$15	10%	$422
115	45331	Sigmoidoscopy and biopsy	$1	5.08%	34%	43%	90%	0.7	0.9	$3	$3	$7	$4	$5	$11	10%	$175
116	67210	Treatment of retinal lesion	$1	10.61%	7%	9%	21%	2.9	4.0	$3	$4	$9	$4	$5	$11	10%	$169
117	67228	Treatment of retinal lesion	$1	11.58%	7%	9%	20%	2.3	3.2	$2	$3	$6	$3	$4	$8	10%	$169
118	11642	Exc face-mm malig+marg 1.1-2	$1	7.98%	3%	4%	10%	3.5	4.9	$2	$2	$4	$3	$4	$8	10%	$226
119	64480	Inj foramen epidural add-on	$1	17.51%	29%	36%	83%	0.8	1.0	$2	$2	$5	$3	$3	$8	10%	$117
120	51700	Irrigation of bladder	$0.5	29.91%	3%	4%	10%	4.0	5.5	$1	$1	$3	$1	$2	$4	10%	$99
		Total or Mean**	**$2,307**	**3.46%**	**32%**	**40%**	**52%**	**5.62**	**7.78**	**$4,203**	**$5,231**	**$6,013**	**$6,604**	**$8,212**	**$9,383**	**N/A**	**$589**

NOTES:

*Increases volume per 1,000 Medicare beneficiaries by 3% annually.

**The reported totals are for savings. The remaining columns are simple means across the 120 procedures, for which the mean is not influenced by (or weighted for) high-volume procedures, such as cataracts. Savings are reported in nominal dollars. N/A: not applicable.

Medicare Cost Savings Tied to Ambulatory Surgery Centers

ASCA
Ambulatory Surgery Center Association

Produced with cost savings analysis from

Berkeley
UNIVERSITY OF CALIFORNIA

Commercial Insurance Cost Savings in Ambulatory Surgery Centers

Healthcare Bluebook™

ASCA
Ambulatory Surgery Center Association

HealthSmart®

WCOSC000412
07/27/17

Executive Summary

A review of commercial medical-claims data found that U.S. healthcare costs are reduced by more than $38 billion per year due to the availability of ambulatory surgery centers (ASCs) as an appropriate setting for outpatient procedures. More than $5 billion of the cost reduction accrues to the patient through lower deductible and coinsurance payments. This cost reduction is driven by the fact that, in general, ASC prices are significantly lower than hospital outpatient department (HOPD) prices for the same procedure in all markets, regardless of payer.

The study also looks at the potential savings that could be achieved if additional procedures were redirected to ASCs. As much as $55 billion could be saved annually depending on the percentage of procedures that migrate to ASCs and the mix of ASCs selected instead of HOPDs.

Finally, the study explores additional cost savings that would result if certain inpatient procedures, such as total joint replacements, continue to migrate to ASCs.

This study supplements an earlier review of Medicare costs by researchers at the University of California-Berkeley that showed that ASCs reduce Medicare costs by $2.3 billion annually. *Ambulatory Surgery Center Association, Medicare Cost Savings Tied to ASCs*, (2013), http://www.advancingsurgicalcare.com/medicarecostsavings.

Introduction and Purpose

The Medicare price differential for common outpatient services delivered in the hospital outpatient department (HOPD) vs. ambulatory surgery center (ASC) environment is well known and documented. On average, Medicare reimburses ASCs at 53 percent of the rate it reimburses HOPDs for the same procedure. The payment gap between services delivered at ASCs rather than HOPDs reduced the Centers for Medicare and Medicaid Services' (CMS) costs by more than $7 billion between 2007 and 2011[1].

While CMS payment rates are publicly available, commercial carrier payment rates are not. Therefore, less is known about the price differences and associated savings that exist between the ASC and HOPD environments for those employers and patients covered by commercial insurance (employer-sponsored insurance or private insurance purchased on the public exchanges and elsewhere).

The following analysis provides an estimate of the significant savings that ASCs currently provide to commercially insured patients, along with potential savings available to the commercially insured population, when shifting care to an ASC setting. This analysis was conducted in a partnership between Healthcare Bluebook, the Ambulatory Surgery Center Association (ASCA) and HealthSmart, a leading provider of third-party administrative services for self-funded employers.

Specifically, the paper discusses each of the following:

1. the estimated cost savings generated by ASCs in the commercially insured U.S. population;

2. the estimated additional cost reductions to be achieved if more cases were to be performed in ASCs;

3. the additional value created as traditional inpatient procedures migrate to ASC settings (e.g., total knee replacements); and

4. examples of HOPD and ASC price disparities within and across regions.

The ASC model was developed in 1970, and Medicare approved payments to ASCs for more than 200 procedures in 1982. Steady growth in the number of ASCs and the number of surgical procedures performed in the outpatient setting, including HOPDs, has continued since. This shift toward outpatient procedures has accelerated due to advancements in medical practice and technology that have reduced the need for overnight hospital stays.

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[1] Department of Health and Human Services, Office of Inspector General. (2014, April). *Medicare and Beneficiaries Could Save Billions If CMS Reduces Hospital Outpatient Department Payment Rates For Ambulatory Surgical Center Approved Procedures to Ambulatory Surgical Center Payment Rates.* Retrieved April 11, 2016, from http://oig.hhs.gov/oas/reports/ region5/51200020.pdf

Today, many common surgeries are performed as outpatient procedures, and most patients, except those with complicated health conditions, can be served in the outpatient setting. Common ASC procedures include colonoscopies, cataract surgeries, tonsillectomies and arthroscopic orthopedic surgeries. CMS currently approves and reimburses 3,837 procedure codes in the ASC setting, and commercial populations are constantly expanding these boundaries. In fact, some ASCs are performing total joint replacements and other traditionally inpatient procedures with excellent outcomes.

While all HOPDs are hospital owned, most ASCs are at least partially owned by physicians, often in conjunction with hospitals and/or management companies. Sixty-five percent of the more than 5,400 Medicare-licensed ASCs in the U.S. are wholly owned by physicians and operate as small businesses.

A study published in *Health Affairs* analyzed data from the National Survey of Ambulatory Surgery and discovered that procedures performed in ASCs are more efficient, taking 25 percent less time than those performed in hospitals[2]. This efficiency, and corresponding cost-effectiveness, is due largely to the ASCs' focus on a limited number of procedures, their owner/operator culture and specialized nursing and support staff. Because ASCs specialize in providing outpatient surgery, they are able to deliver patient-care services efficiently and conveniently. For example, operating rooms are turned over quickly and are not interrupted by emergency cases. This enables physicians to commence their procedures in a timely manner and use their time more productively. Consequently, ASCs tend to be more convenient and cost effective than HOPDs while still providing excellent care.

[2] Munnich, E. L., & Parente, S. T. (2014). Procedures Take Less Time At Ambulatory Surgery Centers, Keeping Costs Down And Ability To Meet Demand Up. *Health Affairs*, 33(5), 764-769.

Patients Often Pay Dramatically Different Amounts for the Same Care in the Same Community

Healthcare prices vary dramatically even within the same insurance network and city. For example, in Charleston, West Virginia, the price of a cataract surgery, including payments to the anesthesiologist and physician, can vary from $2,684 to $8,662 depending on the facility where the surgery is performed (Figure 1). In this case prices vary by more than 300 percent, primarily due to the amount charged by the facility – not the physicians. These facility prices vary by almost 600 percent and total more than 70 percent of all dollars spent for cataract surgery in Charleston, WV.

Payments to anesthesiologists vary, partially due to the time component of anesthesia billing, but these payments are the smallest portion of the total cost and are dwarfed by payments to facilities.

Payments to physicians are a more significant portion of total cost, but physicians performing the most expensive cataract surgeries are paid approximately the same as physicians performing the least expensive surgeries. Thus, it is the choice of facility that drives the total price variation.

The consistency of payments to physicians indicates that most physicians are unable to differentiate themselves when negotiating payment rates from insurance companies and, hence, are paid similar rates. Facilities, on the other hand, vary significantly in their service

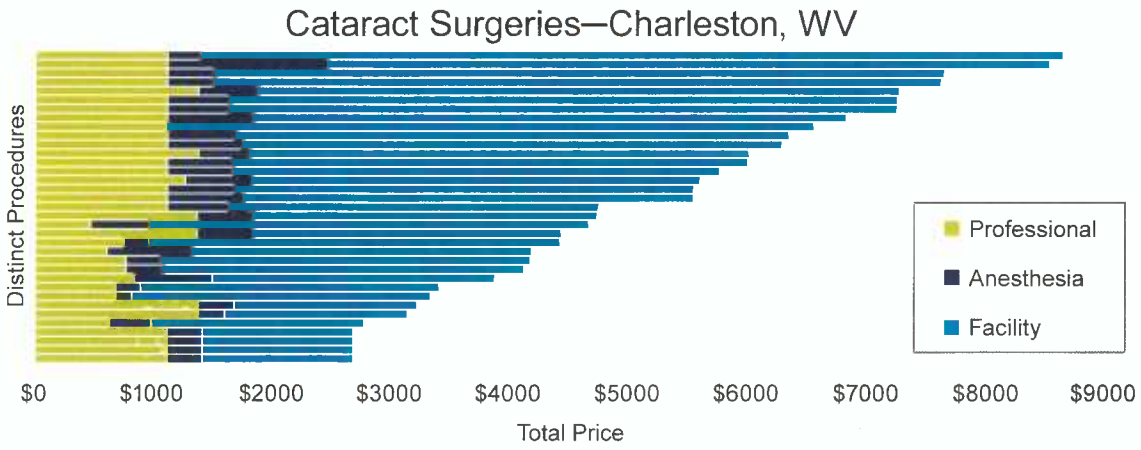


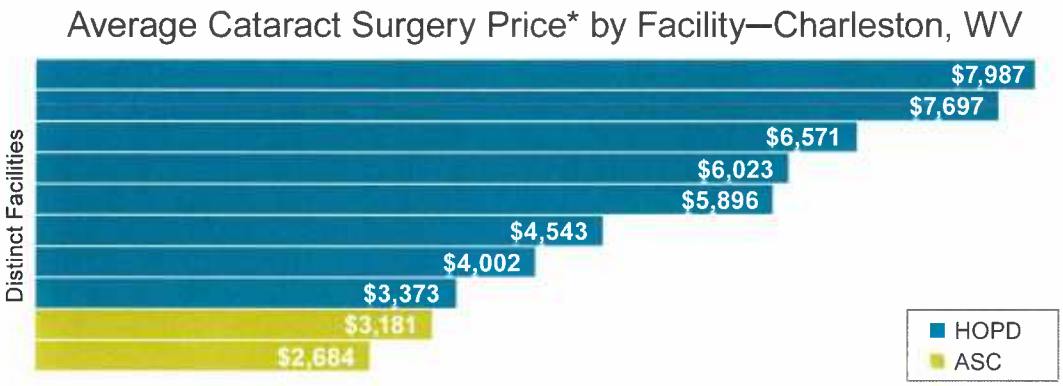
Figure 1

offerings and market power and, therefore, have significantly different negotiated rates with insurance companies.

For example, Hospital A provides emergency, inpatient and outpatient care. Hospital B offers everything Hospital A offers and also operates the only children's hospital in the metropolitan area. Due to this exclusive service line, Hospital B has better negotiating leverage with an insurance company. Importantly, this leverage applies not only to services uniquely performed in the children's hospital, but also to outpatient surgeries, such as cataract surgery, that are performed in other facilities in the area. Since the entire hospital is either in or out of network, all services are negotiated together, allowing Hospital B to demand higher reimbursement for procedures even though equally good, lower-priced alternative sites of service exist in that market area.

Since any ASC will offer fewer services than both Hospital A and B, those ASCs will have less negotiating leverage with commercial carriers and, therefore, often will receive lower reimbursement rates than either Hospital A or B if they want to be included in the insurer's network. While the efficiency inherent in the ASC model explains why ASCs can continue to exist when receiving significantly lower payments, it is the market power of hospitals that widens these price disparities[3] [4].

As a result of these factors, the total price of a procedure performed at an ASC is generally significantly lower than the total price of the same procedure performed in an HOPD. For example, the average price of cataract surgery at an ASC in Charleston, West Virginia, is $2,932, including the physician and anesthesiologist payments, while the average price at an HOPD is $5,762 (Figure 2). In this example,



* Includes allowed amounts for all claim components: anesthesia, professional and facility.

Figure 2

[3] Neprash, H.T., BA, Chernew, M.E., PhD, Hicks, A.L., MS, Gibson, T., PhD, & McWilliams, M., MD, PhD, (2015, October). Association of Financial Integration Between Physicians and Hospitals With Commercial Health Care Prices. *Journal of the American Medical Association.*

[4] The Robert Wood Johnson Foundation, Martin Gaynor, PhD & Robert Town, PhD. (2012, June). *The impact of hospital consolidation – Update.* Retrieved April 20, 2016, from http://www.rwjf.org/en/library/research/2012/06/the-impact-of-hospital-consolidation.htm

the average price for a cataract surgery at the least expensive facility was $2,684, including the payments to anesthesiologists and physicians. At the most expensive facility, the average price was $7,987. ASCs are at the low end of the spectrum and HOPDs are at the high end.

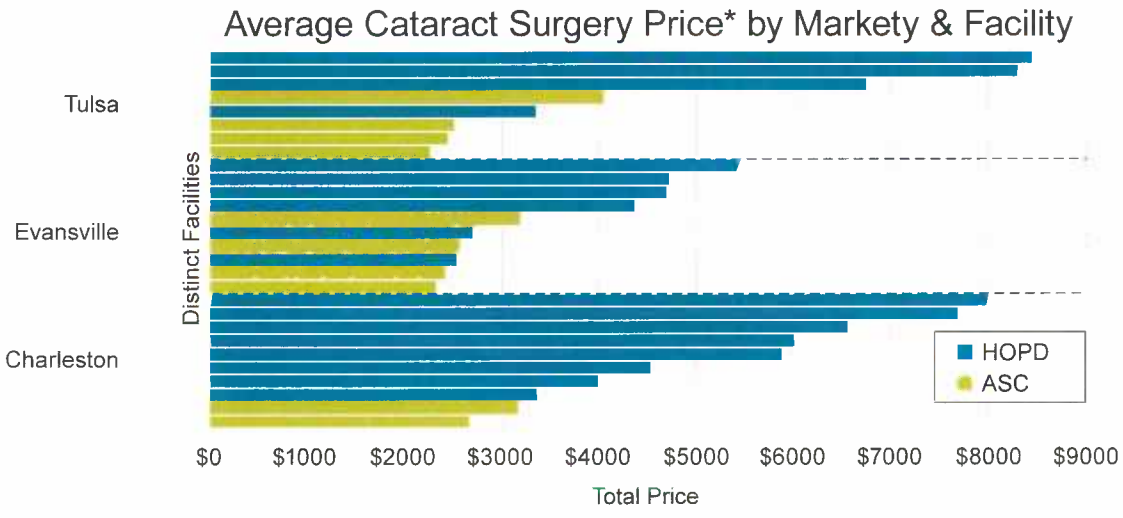
This commercial price differential between the ASC and HOPD environments is persistent across metropolitan areas (Figure 3), insurance carriers and procedure categories, with the degree of price variability related to local market factors.

Summary of Methodology

All analysis was conducted using a sample of de-identified commercial claims data for calendar year 2014 from HealthSmart. This data represents more than 400,000 lives across all regions of the U.S. The CMS list of ASC-eligible procedure codes, with a few additions reflecting those prevalent in a commercial population (pediatric-related codes, OB/GYN-related codes, etc.), was used to identify the spending on procedures that can be performed in an ASC.

Total price of service was included in the analysis (facility fees, professional fees and anesthesia fees, where relevant). Based on the commercial population considered, these services accounted for about 19 percent of total medical spend, or $890 per person for the year. All prices are calculated using the "allowed" amount, which reflects the actual amount a provider received after any discounts were applied.

Thirteen high-volume outpatient procedures were used as proxies to analyze the price differential between the ASC and HOPD environments and estimate the percentage of spending that could be saved by performing the procedures in ASCs instead of HOPDs. An adjustment was made to account for the fact that some high-risk patients are not candidates



* Includes allowed amounts for all claim components: anesthesia, professional and facility.

Figure 3

for ASC-based care (patients with high comorbidities are traditionally directed to an HOPD in order to be closer to critical-access care). This adjusted percentage was applied to the $890 ASC-eligible spend per person and then scaled by the commercially insured U.S. population to estimate the national savings potential.

All estimates are based on the calendar year 2014 data. No adjustments were made to account for population aging or increasing utilization of ASC-eligible services. (See Appendix A: Methodology and Appendix B: Adjustments for ASC Ineligibility for a more detailed explanation of the methodology.)

Current ASC Use Reduces Private Healthcare Costs by $38 Billion Annually

The lower cost of care in ASCs relative to HOPDs saves employers and consumers tens of billions of dollars a year. For the commercially insured population in the U.S., an estimated $37.8 billion is saved annually by using ASCs. Stated differently, if all of the procedures currently performed in ASCs for the commercially insured population in the U.S. were performed in HOPDs, the cost of those procedures would increase by $37.8 billion in just one year.

Annual Savings from Procedures Performed in ASCs	
% of Common ASC Procedures Currently Performed at ASCs	48%
Current Annual Savings	$37.8 B
Potential Additional Annual Savings	$38.2 B
Potential Additional Annual Savings from Optimal Migration to ASCs	$55.6 B

Potential Cost Reductions Attributed to ASCs

Despite the savings detailed above, for commercially insured populations, only 48 percent of procedures commonly performed in ASCs are actually performed in ASCs. If the remaining 52 percent were performed at ASC price points, an additional $41 billion in healthcare costs could be saved annually.

As a practical matter, ASCs would not be the appropriate setting for a small percentage of patients (e.g., those with serious health issues) currently treated in HOPDs. For example, patients on dialysis (0.1 percent of Americans) are not ASC eligible for certain procedures. When ASC-ineligible cases are accounted for, the total potential annual savings from performing the surgeries in ASCs instead of HOPDs is $38.2B. (This assumes 3 percent of relevant cases are ASC ineligible. See Appendix B: Adjustments for ASC Ineligibility.)

The average ASC price, however, is a blend of both lower-priced and higher-priced ASCs. The optimal migration of cases would shift cases from HOPDs to the local low-price ASCs. If patients were directed to low-price ASCs only, the potential annual savings increases from $38.2 billion to $55.6 billion.

Migrating a meaningful number of patients to lower-cost ASC settings would, undoubtedly, also have the added benefit of causing HOPDs

to consider price reductions in order to maintain their market share. While this study did not attempt to model the competitive reactions of HOPDs if confronted with a significant loss of patient volume, fundamental economic principles as well as a recent study that looked at the impact of reference-based pricing on patient choices concluded that hospitals did, in fact, lower their pricing for certain procedures in response to a loss of market share to competing ASCs[5].

Potential Savings Can Grow if ASCs Can Perform More Complex Procedures

With advances in surgical techniques, pain management and post-surgical care, more procedures traditionally performed in the inpatient setting are being shifted to ASCs. This creates an expanding frontier for reducing healthcare costs. As an example, total hip and total knee replacements, which currently account for about 1.5 percent of total medical spend, are now being performed safely in ASCs in a limited number of markets. The potential savings are significant. Assuming that the price differential and the rate of ASC ineligibility due to comorbidities for total joint replacement will be commensurate with other outpatient procedures, $3.2 billion could be saved by moving total hip and knee replacements to ASCs. (See Appendix A: Methodology.)

Projected National Cost Reductions

To realize the potential cost reductions highlighted above, several things need to happen. On the supply side, ASC capacity will have to double in order to support the migration from HOPDs.

On the demand side, patients must be educated and incentivized to choose ASCs for their outpatient procedures. As premiums rise and adoption of high-deductible health plans increases, patients have greater incentives to reduce their costs by choosing ASC-based care, but education is lacking. Though healthcare transparency has made significant advancements in recent years, most patients are still unaware of the lower costs that ASCs offer.

Even modest changes in market share produce massive savings for the entire health system. For example, if an additional 5 percent of current HOPD cases were moved to ASCs annually over the next ten years, $113.8 billion would be saved compared to current utilization rates (Table 1). This assumes that the annual potential ASC savings is currently $41.4 billion:

Ten-Year Savings Projection

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	Total
Potential Savings	$41.4 B	$41.4 B	$41.4 B	$41.4 B	$41.4 B	$41.4 B	$41.4 B	$41.4 B	$41.4 B	$41.4 B	**$413.7 B**
Percent of Savings Captured	5%	10%	15%	20%	25%	30%	35%	40%	45%	50%	**28%**
Savings	$2.1 B	$4.1 B	$6.2 B	$8.3 B	$10.3 B	$12.4 B	$14.5 B	$16.5 B	$18.6 B	$20.7 B	**$113.8 B**

Table 1

[5] Robinson, J., et. al. (2015, March). Reference-Based Benefit Design Changes Consumers' Choices And Employers' Payments For Ambulatory Surgery. *Health Affairs.*

$38.2 billion from current ASC-eligible procedures above plus $3.2 billion from total knee and hip replacement.

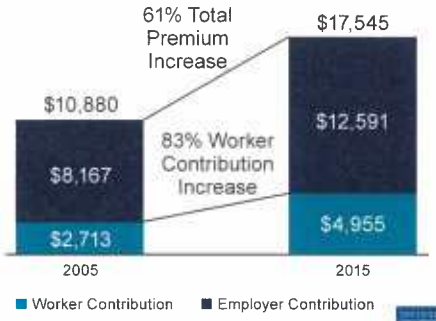
For ASC eligible procedures in this study, patients were responsible for 15 percent of the cost on average. That would mean $17.1 billion in reduced costs for patients over the next ten years (Figure 4). If 3 percent or 8 percent of HOPD cases were moved to ASCs annually, ten-year savings would be $68.3 billion and $182 billion respectively (Table 2).

Projected National Cost Reduction	
Plan Sponsor Savings	$96.7 B
Patient Savings	$17.1 B
Total Savings	$113.8 B

Figure 4

These estimates do not account for inflation or upward trends in medical spending. They also do not take into account the potential that HOPD pricing will decrease in order to compete with ASCs, which would create further outpatient savings. As referenced above, in the CalPERS reference pricing program, high-priced providers will reduce prices to be competitive and attract price-sensitive consumers.

Average Annual Health Insurance Premiums and Worker Contributions for Family Coverage, 2005-2015



SOURCE: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2005-2015

Reducing Costs for Employers and Employees

From 2005 to 2015, average health insurance premiums for employer-sponsored family coverage increased 61 percent, from $10,880 to $17,545 per year. To combat these rising costs, employers have increasingly adopted Consumer Driven Health Plans (CDHP) and account-based plan types, shifting costs to employees. This has driven the average employee's share of healthcare spending up 81 percent in the same time period, from $2,713 to $4,955[6] annually. This highlights the need for programs like price transparency that can help patients identify better value providers within their networks so that employers and their employees both can lower costs.

Ten-Year Savings Projections

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	Total
Savings at 3% Additional Capture	$1.2B	$2.5 B	$3.7 B	$5.0 B	$6.2 B	$7.4 B	$8.7 B	$9.9 B	$11.2 B	$12.4 B	**$68.3 B**
Savings at 5% Additional Capture	$2.1 B	$4.1 B	$6.2 B	$8.3 B	$10.3 B	$12.4 B	$14.5 B	$16.5 B	$18.6 B	$20.7 B	**$113.8 B**
Savings at 8% Additional Capture	$3.3 B	$6.6 B	$9.9 B	$13.2 B	$16.5 B	$19.9 B	$23.2 B	$26.5 B	$29.8 B	$33.1 B	**$182.0 B**

Table 2

[6] Henry J. Kaiser Family Foundation. (2015, September). *Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2005–2015.* Retrieved April 10, 2016, from http://kff.org/health-costs/report/2015-employer-health-benefits-survey/

For example, in Charlotte, NC, the average ASC price for a knee arthroscopy was $6,118, while the average HOPD price was $12,493, more than twice as expensive. That means $6,375 is saved on average in Charlotte, NC, when a patient chooses an ASC for a knee arthroscopy. How those savings are divided between the payer and the patient depends on the plan design.

For a knee arthroscopy in Charlotte, NC, if a patient has a Silver Plan as defined by the Affordable Care Act, with a $2,700 deductible, 80 percent coinsurance and $5,000 maximum out of pocket, the patient would save $1,275—more than the median family's weekly income. The remaining $5,100 would be saved by the payer. For self-funded employer-sponsored insurance, that is $5,100 directly to the bottom line for the employer.

Applying the same plan design to the earlier example of cataract surgery in Charleston, WV, a patient would save $566 by choosing an ASC instead of an HOPD. This is a significant savings in a geographic area where annual income per capita is less than $35,000[7]. The payer would realize an additional savings of $2,264.

Estimating Savings for Self-Insured Populations

For employers that self insure, it is reasonably straightforward to estimate the potential cost reductions from ASCs for their covered employees. With $890 in ASC-eligible spending per commercially insured person and 20.6 percent savings opportunity from moving all ASC-eligible cases from HOPDs to ASCs, $183 in potential ASC savings exists per commercially insured person. A self-funded employer with 1,000 employees is normally covering more than 2,000 lives, when employees and dependents are counted, which means a potential ASC-based savings of more than $366,000 for the employer and employees.

Conclusion

Billions of dollars spent each year on commercially insured outpatient surgeries and procedures can be reduced, without compromising quality, if more cases migrate to ambulatory surgery centers. While a small percentage of patients have health conditions that require outpatient care to be received in proximity to a full-service hospital should complications arise, most patients can receive the same level of care at lower cost by seeking treatment in an ASC. Advances in medical technology and pain control are allowing increasingly complex procedures, such as total joint replacements, to be performed in an outpatient setting.

Policymakers, insurers, employers and beneficiaries all have a shared interest in reducing healthcare costs, and the $38 billion in annual savings identified in this study highlight the role that ASCs already play in controlling these costs. Strategies should be implemented to generate additional savings by ensuring that the most efficient site of service for outpatient care is selected whenever possible. In particular, innovative plan design and increased consumer awareness of the benefits of receiving care in an ASC can save thousands of dollars per procedure.

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[7] United States Census Bureau. (2014). *2010–2014 American Community Survey 5-Year Estimates.* Retrieved April 30, 2016, from http://www.census.gov/

About the authors/organizations

Ambulatory Surgery Center Association (ASCA)

ASCA is the national membership association that represents ASCs of all specialties and provides advocacy and resources to assist ASCs in delivering high quality, cost-effective ambulatory surgery to all the patients they serve.

Healthcare Bluebook

Healthcarebluebook.com, headquartered in Nashville, TN, is a leading provider of health-care price and quality transparency solutions to employers, third-party administrators (TPA), health plans and provider organizations. Healthcare Bluebook products help employers and employees save money by enabling consumers to understand local health-care prices, compare providers on price and quality and shop for care anywhere in the U.S.

HealthSmart

For more than 40 years, HealthSmart has offered a wide array of customizable and scalable health-plan solutions for self-funded employers. HealthSmart's comprehensive service suite addresses individual health from all angles. This includes claims and benefits administration, provider networks, pharmacy, benefit-management services, business intelligence, onsite employer clinics, care management, a variety of health and wellness initiatives and Web-based reporting.

Appendix A: Methodology

Data Source

All analysis was conducted using a national sample of de-identified commercial claims for calendar year 2014.

Estimating Potential ASC Savings for the Commercially Insured U.S. Population

The estimated potential ASC savings for the commercially insured U.S. population is calculated as:

Equation 1

Addressable Spend per Commercially Insured Person $890	X	Percent Savings from ASCs 20.6%	X	Commercially Insured Population 208.6M

Estimating the Addressable Spend per Commercially Insured Patient

The addressable spend is the expenditure on any procedure that could be performed in an ASC for an ASC-eligible patient, whether that patient is ASC eligible or not. (Adjustments for ASC ineligible are made later in the process. See Appendix B: Adjustments for ASC Ineligibility.) All prices are calculated using the allowed amount, which is the actual amount a provider receives after any discounts are applied.

CMS currently covers 3,837 procedure codes in the ASC setting. Procedure codes from select Healthcare Bluebook ShopSmart™ procedures were added to the CMS list to produce a complete ASC-eligible procedure code list. These procedure codes were used to identify procedures in one

year of medical-claims data. For each procedure performed in an ASC or HOPD, the total anesthesia, professional and facility payments were included as part of the procedure price. All office-based, inpatient-based and emergent care was excluded. When the total payments from this process were divided by the total members in the represented population, the annual addressable spend per person was $890.

Estimating Percent Savings from ASCs

To estimate the percent savings from ASCs, thirteen high-volume procedures were used as proxies to represent all ASC procedures. These procedures were selected for their high volume and standardization. The average ASC price was calculated for each procedure in each metropolitan market across the U.S.

The potential ASC savings is the sum of the differences between the price of each HOPD case and the average ASC case price for that metropolitan market and procedure combination. Market and procedure combinations with limited data volume were excluded.

Equation 2

$$potential\ ASC\ savings = \sum_{m,p,h} cost_{m,p,h} - average\_ASC\_price_{m,p}$$

m = market
p = procedure
h = HOPD case

To produce the ASC savings as a percentage, the potential ASC savings was divided by the total spend for all analyzed markets and procedures and multiplied by one hundred.

Equation 3

$$percent\ savings\ from\ ASCs = \sum_{m,p,h} \frac{potential\ ASC\ savings}{total\ spend} \times 100$$

Estimating Potential Savings from Total Hip & Total Knee Replacements

To estimate potential savings from moving total hip and knee replacements to the ASC setting, Equation 1 from above was used, but with $73.59 as the addressable spend per commercially insured person. This represents 1.5 percent of total medical spend per commercially insured person. The 20.6 percent savings opportunity was not changed because there are not currently enough markets offering ASC-based joint replacement to use as a representation of the entire U.S. However, the savings opportunity may be as much as double this estimate based on markets that currently have ASC-based total joint replacements.

Appendix B: Adjustments for ASC Ineligibility

Some patients will not qualify for treatment in an ASC setting due to comorbidities or other complicating factors. To account for this, potential ASC savings were estimated using three assumptions for what percent of the commercially insured population is ASC ineligible: 1 percent, 3 percent and 7

percent. These percentages were selected based on prevalence rates for three common conditions that may make patients ineligible for care at an ASC for some procedures (Table 3).

Seven percent ASC ineligibility is the upper limit of this sensitivity analysis since it is the sum of the prevalence rates of all three conditions, which are not independent and which don't necessarily disqualify patients from ASC-based care. For example, a patient with a body mass index (BMI) of 41 could still be cared for in an ASC for most if not all procedures performed in an ASC. However, a patient with a BMI of 45 would qualify for fewer procedures in an ASC setting.

Three percent was selected as the expected rate of ASC ineligibility in a commercially insured population. This, however, could still be an overestimation, so we have also included the one-percent ASC-ineligibility threshold.

For each of these ASC-ineligibility rates, a corresponding number of cases per market/procedure combination were assumed to be performed at the average HOPD price and excluded from the migration calculation. See Table 4 for the sensitivity impact on estimated savings.

Common Conditions that Effect ASC Eligibility

Condition	Prevalence (% of U.S. Population)	Notes
Latex Allergy	< 1%	Some ASCs are not equipped with a latex-free operating room.
CKD (with Dialysis)	0.1%	Not a disqualifying condition for all procedures performed in ASCs.
BMI > 40	6.3%	Patients with BMI > 45 are almost always ASC ineligible. Not all patients with BMI between 40 and 45 are ASC ineligible.

Table 3

Effect of ASC-Ineligibility on Potential Savings

	Savings as % of Total Addressable Spend	Potential Annual Savings
0% ASC Ineligible	22.1%	$41.0 B
1% ASC Ineligible	21.6%	$40.1 B
3% ASC Ineligible	20.6%	$38.2 B
7% ASC Ineligible	18.6%	$34.5 B

Table 4

Appendix C: Savings Examples

Procedure prices in most U.S. markets can vary by as much as 500 percent. In most cases, when present, ASCs provide the best value.

Procedure	Market	Lowest Price Prvider Type	Lowest Price	Average ASC Price	Average HOPD Price	Average Price Difference
Cataract Surgery	Charleston, WV	ASC	$2,684	$2,932	$5,762	$2,830
Cataract Surgery	Evansville, IN	ASC	$2,450	$3,316	$6,992	$3,676
Cataract Surgery	Tulsa, OK	ASC	$2,248	$2,249	$3,833	$1,335
Knee Arthroscopy	Fayetteville, NC	ASC	$5,924	$7,658	$11,575	$3,917
Knee Arthroscopy	Charlotte, NC	ASC	$5,664	$6,118	$12,493	$6,375
Knee Arthroscopy	Tulsa, OK	ASC	$2,627	$2,844	$4,807	$1,963
Knee Arthroscopy	Phoenix, AZ	ASC	$2,355	$2,972	$4,306	$1,334

Department of Health and Human Services

OFFICE OF INSPECTOR GENERAL

MEDICARE AND BENEFICIARIES COULD SAVE BILLIONS IF CMS REDUCES HOSPITAL OUTPATIENT DEPARTMENT PAYMENT RATES FOR AMBULATORY SURGICAL CENTER-APPROVED PROCEDURES TO AMBULATORY SURGICAL CENTER PAYMENT RATES

Inquiries about this report may be addressed to the Office of Public Affairs at Public.Affairs@oig.hhs.gov.

Daniel R. Levinson
Inspector General

April 2014
A-05-12-00020

Office of Inspector General

https://oig.hhs.gov

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EXECUTIVE SUMMARY

Medicare and beneficiaries could save billions if the Centers for Medicare & Medicaid Services reduces hospital outpatient department payment rates for ambulatory surgical center-approved procedures to the same level as ambulatory surgical center payment rates.

WHY WE DID THIS REVIEW

Medicare covers many outpatient surgical procedures commonly performed in both hospital outpatient departments (outpatient departments) and in ambulatory surgical centers (ASCs). Medicare ASC payment rates are frequently lower than outpatient department payment rates. Thus, Medicare generally saves when outpatient surgical procedures that do not pose significant risk to patients are performed in an ASC instead of an outpatient department. Our review quantifies the impact of this payment differential on aggregate Medicare expenditures for outpatient surgical procedures in the ASC setting as compared with outpatient departments. We completed this review in response to a congressional request, which asked us to assess the impact on total Medicare expenditures of providing surgical services in an ASC as opposed to other outpatient settings.

Our objectives were to determine how much Medicare (1) has saved as a result of procedures being performed in ASCs instead of outpatient departments and (2) could save if payment rates for the outpatient departments were reduced to the same level as ASC payment rates.

BACKGROUND

In 1982, Medicare began covering services provided in ASCs because the Centers for Medicare & Medicaid Services (CMS) recognized that some surgical services provided on an inpatient basis could be safely performed in less intensive and less costly settings, such as ASCs and outpatient departments. ASC prospective payment system (ASCPPS) rates are frequently lower than outpatient prospective payment system (OPPS) rates, resulting in savings for Medicare.

Both the OPPS and ASCPPS must be budget neutral. Congress incorporated budget neutrality into these payment systems to ensure that total Medicare payments would not increase or decrease because of fluctuations within the systems themselves, other than the yearly adjustment for inflation.

WHAT WE FOUND

Medicare saved almost $7 billion during calendar years (CYs) 2007 through 2011 and could potentially save $12 billion from CYs 2012 through 2017 because ASC rates are frequently lower than outpatient department rates for surgical procedures. In addition, Medicare could generate savings of as much as $15 billion for CYs 2012 through 2017 if CMS reduces outpatient department payment rates for ASC-approved procedures to ASC payment levels for procedures performed on beneficiaries with low-risk and no-risk clinical needs.

Beneficiaries would also save through reduced cost sharing. Beneficiaries saved approximately $2 billion during CYs 2007 through 2011 and could potentially save an additional $3 billion for the next 6 years because the ASC rates are frequently lower than outpatient department rates. In addition, beneficiaries could potentially save as much as $2 billion to $4 billion more during the 6 years through CY 2017 if CMS reduces outpatient department payment rates for ASC-approved procedures to ASC payment levels.

We recognize that not all procedures can be performed in an ASC because a procedure might pose a significant safety risk to the patient. To account for this, we obtained patient-risk statistics from the Agency for Healthcare Research and Quality. The risk statistics showed that 33 percent of hospital patients 65 and older were considered to have no-risk medical profiles and an additional 35 percent were considered to be at low risk for procedures performed at an ASC. In total, 68 percent of patients had either low- or no-risk medical profiles. We used these risk profiles to estimate the range of potential savings to be between $7 billion and $15 billion for Medicare for CYs 2012 through 2017.

WHAT WE RECOMMEND

We recommend that CMS:

- seek legislation that would exempt the reduced expenditures as a result of lower OPPS payment rates from budget neutrality adjustments for ASC-approved procedures.

If Congress passes the budget-neutrality exemption for the reduced expenditures, we recommend that CMS take the following actions, which we estimated could save as much as $15 billion from CYs 2012 through 2017:

- reduce OPPS payment rates for ASC-approved procedures on beneficiaries with no-risk or low-risk clinical needs in outpatient departments and then

- develop and implement a payment strategy in which outpatient departments would continue to receive the standard OPPS payment rate for ASC-approved procedures that must be provided in an outpatient department because of a beneficiary's individual clinical needs.

CMS COMMENTS AND OUR RESPONSE

In written comments on our draft report, CMS did not concur with our recommendations. CMS stated that adopting the recommendations would require legislation and that such a proposal is not currently included in the President's Budget. CMS also noted that the recommended changes "…may raise circularity concerns with respect to the rate calculation process" because most ASC payment rates are based on the OPPS payment rates that we are recommending that CMS reduce and that we did not provide specific clinical criteria to distinguish patients' risk levels.

We continue to recommend that CMS draft, and submit for review, a legislative proposal that would exempt the reduced expenditures as a result of lower OPPS payment rates from budget

neutrality adjustments for consideration for inclusion in future budget and legislative agendas. As part of the process for developing the President's Budget, CMS identifies program vulnerabilities and offers solutions for addressing them. CMS has the authority to develop legislative proposals for Medicare and has historically addressed some OIG recommendations to seek legislative change by developing legislative proposals for possible inclusion in the President's budget and legislative program. Safeguarding programs from fraud, waste, and abuse is an ongoing program management responsibility and some issues may require legislation to address. We look forward to CMS's final management decision in light of this clarification of the intent of our recommendations.

Also, we agree that we did not provide specific clinical criteria to distinguish patients' risk levels and that, depending on the method used to implement our recommendations, circularity concerns may arise. However, that does not prevent implementation of our recommendations. CMS is in the best position to determine how to assess a patient's risk and to develop a payment strategy that would reduce OPPS payments for no- and low-risk patients without disrupting the current payment methodologies. Considering the potential savings identified in our report, we maintain that CMS should take the necessary steps to implement our recommendations.

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INTRODUCTION

WHY WE DID THIS REVIEW

Medicare covers many outpatient surgical procedures commonly performed in both hospital outpatient departments (outpatient departments) and in ambulatory surgical centers (ASCs). Medicare ASC payment rates are frequently lower than outpatient department payment rates. Thus Medicare generally saves when outpatient surgical procedures that do not pose significant risk to patients are performed in an ASC instead of an outpatient department. Our review quantifies the impact of this payment differential on aggregate Medicare expenditures for outpatient surgical procedures in the ASC setting as compared with outpatient departments. We completed this review in response to a congressional request, which asked us to assess the impact on total Medicare expenditures of providing surgical services in an ASC as opposed to other outpatient settings.

OBJECTIVES

Our objectives were to determine how much Medicare (1) has saved as a result of procedures being performed in ASCs instead of outpatient departments and (2) could save if payment rates for the outpatient departments were reduced to the same level as ASC payment rates.

BACKGROUND

How the Hospital Outpatient Prospective Payment System Works

Medicare beneficiaries receive a wide range of services in outpatient departments, from injections to complex procedures that require anesthesia. With changes in technology and medical practices, services traditionally provided in inpatient settings are more frequently provided in outpatient settings such as outpatient departments. In 2011, approximately 4,800 hospitals nationwide provided inpatient and outpatient services reimbursed by Medicare.

The Centers for Medicare & Medicaid Services (CMS) uses the hospital Outpatient Prospective Payment System (OPPS) to pay outpatient departments for designated Medicare Part B services furnished to hospital outpatients.[1] The services are identified by Healthcare Common Procedure Coding System (HCPCS) codes. CMS classifies services into ambulatory payment classifications (APCs) on the basis of clinical and resource use similarity. All services in an APC have the same payment rate.

CMS determines the payment rate for each outpatient department service by multiplying the relative weight for the service's APC by an OPPS conversion factor. The relative weight for an APC measures the resource requirements of the service and is based on the median cost of services and procedures in that APC. The purpose of the conversion factor is to translate relative weights into dollar amounts. The OPPS conversion factor is updated annually for inflation using

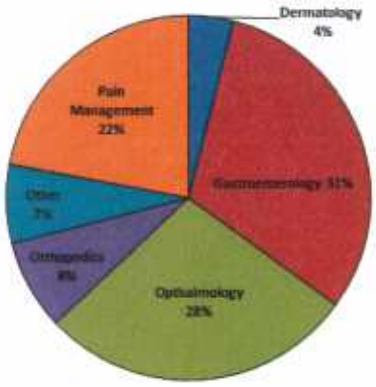
[1] 42 CFR § 419.2(a). See also, Social Security Act (the Act), §§ 1833(t)(1)(A) and (t)(1)(B)(i).

the hospital market basket price index (HMB).[2] In addition, the OPPS conversion factor is reduced by the Multifactor Productivity (MFP)[3] adjustment for 2012 and subsequent years[4] and by an additional adjustment for 2010 through 2019.[5]

How CMS Determines Payment Rates for Each Ambulatory Surgical Center Service

ASCs provide surgical services to patients who do not require an overnight stay. In 1982, Medicare began covering services provided in ASCs because CMS recognized that some surgical services provided on an inpatient basis could be safely performed in less intensive and less costly settings. In 2011, there were approximately 5,300 Medicare-certified ASCs nationwide. The most common types of surgical services performed in ASCs are presented in Figure 1.[6]

Figure 1: Medicare Case Volume by Specialty 2010



The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA) required CMS to implement a revised ASC payment system. As a result, effective January 1, 2008, CMS implemented the ASC Prospective Payment System (ASCPPS) based on the OPPS, as recommended in the Government Accountability Office (GAO) report mandated by Congress.[7] The revised ASCPPS rate setting methodology continued to result in ASC payment rates that were frequently less than OPPS payment rates for the same procedure. With certain exceptions, the calendar year (CY) 2008 ASC payment rates were about 67 percent of the corresponding OPPS payment rates, which reflects the lower cost of furnishing services in the ASC setting.

CMS determines the payment rate for each ASC service by multiplying the relative weight for the service's APC by the ASC conversion factor (adjusted for geographic differences). The APC

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[2] CMS defines a market basket as a fixed-weight index that "answers the question of how much more or less it would cost, at a later time, to purchase the same mix of goods and services that was purchased in a base period" (55 Fed. Reg. 35990, 36044 (Sept. 4, 1990)). Individual market baskets are produced for many of the Medicare payment systems to accurately measure anticipated price changes. The HMB index for 2012 was 3 percent (76 Fed. Reg. 74122, 74189 (Nov. 30, 2011)).

[3] The MFP is an adjustment to the price index that reflects a change in productivity (output) that cannot be accounted for by the change in inputs.

[4] The OPPS MFP adjustment for 2012 was 1 percent (76 Fed. Reg. 74122, 74189 (Nov. 30, 2011)).

[5] The additional adjustment for 2012 was 0.1 percent (the Act, §§1833(t)(3)(F)(ii) and (t)(3)(G)(ii)). See also, 42 CFR § 419.32(b)(1)(iv)(B)(3).

[6] ASC Association, *Ambulatory Surgery Centers: A Positive Trend in Health Care*, October 8, 2011.

[7] GAO, *Payment for Ambulatory Surgical Centers Should Be Based on the Hospital Outpatient Payment System* (GAO-07-86), November 2006.

relative weights for most procedures in the ASCPPS are the same as the relative weights in the OPPS. The ASC conversion factor also translates the relative weights into dollar amounts and was originally created as a percentage of the OPPS conversion factor; however, it is updated annually for inflation using the Consumer Price Index for All Urban Consumers[8] (CPI-U) and the ASCPPS MFP adjustment.[9]

Medicare Payments Must Remain Budget Neutral

Both the OPPS and ASCPPS must be budget neutral (the Act, § 1833). Congress incorporated budget neutrality into these payment systems to ensure that total Medicare payments would not increase because of fluctuations within the systems themselves, other than the yearly adjustment for inflation. Thus, the effects of an increase in the relative weights of some procedures would be offset by a decrease in the relative weights of other procedures.

The MMA required that the revised ASC payment system be budget neutral, similar to the OPPS. That is, the payment rates are intended to ensure that total Medicare expenditures under the revised payment methodology for ASCs will be approximately the same as the expenditures would have been in the same year without the revised ASC payment system.

Medicare Beneficiaries Share the Financial Responsibility for Procedures Performed

"Beneficiary cost sharing" is the Medicare beneficiary's share of the financial responsibility for the procedure performed. For ASC procedures provided on or after January 1, 2008, the beneficiary pays the lesser of "20 percent of the actual charge or 20 percent of the prospective payment amount . . . ." (42 CFR § 410.152(i)(2)). For procedures provided in outpatient departments, Medicare is transitioning to a standard Medicare 20 percent coinsurance rate by requiring the beneficiary to pay the greater of 20 percent of the APC payment or, for certain services, a set payment amount which cannot exceed 40 percent of the APC payment (42 CFR §§ 419.40–419.42)).[10] When the beneficiary's clinical needs allow for a procedure to be performed in an ASC, the beneficiary could choose to do so and benefit because the payment rates are usually lower than in an outpatient department. If the procedure is performed in an outpatient department, both the Medicare payment and the beneficiary cost-sharing amount are generally higher.

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[8] The Bureau of Labor Statistics' Web site states "the CPI-U represents changes in prices of all goods and services purchased for consumption by urban households" and covers approximately 87 percent of the total population (Bureau of Labor Statistics, *Overview.* – Accessed on July 25, 2013). For the purposes of the ASC conversion factor, the CPI-U for 2012 was 2.7 percent (76 Fed. Reg. 74122, 74450 (Nov. 30, 2011)).

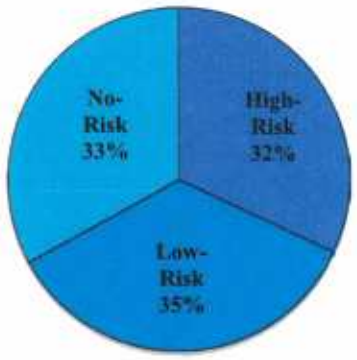
[9] The ASCPPS MFP adjustment for 2012 was 1.1 percent (76 Fed. Reg. 74122, 74450 (Nov. 30, 2011)).

[10] As the total APC payment increases each year, the set payment amount will become a smaller portion of the total payment until it represents 20 percent of the total payment. CMS estimated that, for CY 2013, the overall beneficiary share of total payments for Medicare-covered hospital outpatient services would be about 21.6 percent. (CMS, *Proposed 2013 Policy, Payment Changes for Hospital Outpatient Departments, Ambulatory Surgical Centers, Inpatient Rehabilitat* [sic], fact sheet, July 6, 2012.).

Ambulatory Surgical Center-Approved Procedures Do Not Pose a Significant Safety Risk to Most Patients

In selecting covered surgical procedures payable under ASCPPS, the Secretary of Health and Human Services (the Secretary) must select only those procedures that "would not be expected to pose a significant safety risk to a Medicare beneficiary when performed in an ASC . . . ." (42 CFR § 416.166(b)). However, "[t]he decision regarding the most appropriate care setting [e.g., an ASC or outpatient department] for a given surgical procedure is made by the physician based on the beneficiary's individual clinical needs and preferences."[11] Accordingly, a physician may determine that a covered procedure cannot be performed in an ASC because of a specific patient's clinical needs. To account for these procedures in our report, we obtained statistics from the Agency for Healthcare Research and Quality (AHRQ) derived from 3,072,311 CY 2010 health records for patients 65 or older. AHRQ statistics showed that approximately 32 percent of these patients were considered to have high-risk medical profiles and 68 percent of patients had no-risk (33 percent) or low-risk (35 percent) medical profiles. These statistics are displayed in Figure 2. See Appendix A for a detailed explanation of AHRQ's patient-risk statistics. For purposes of this report, we accounted for patients whose clinical needs would prevent them from having covered surgical procedures in ASCs by excluding a percentage of patients with high-risk medical profiles (32 percent) from our estimates.

Figure 2: AHRQ Patient Medical Profile Risk Analysis



Prior OIG Work Identified a Payment Differential

In 2003, the Office of Inspector General (OIG) issued a report[12] stating that a payment differential existed between ASC and outpatient department Medicare payment rates, as identified in the OPPS and ASCPPS fee schedules. For 66 percent of the procedure codes examined for CY 2001, outpatient department payment rates were higher than ASC payment rates, with a median difference of $282.33. For the remaining 34 percent of procedure codes reviewed, ASC payment rates were higher than outpatient department payment rates, with a median difference of $135.78. We estimated Medicare paid $1.1 billion more for services provided in outpatient departments during CY 2001 than it would have paid if outpatient department payment rates equaled ASC payment rates.

[11] *Medicare Claims Processing Manual*, Pub. No. 100-04, ch. 14, § 20.1.

[12] *Payment for Procedures in Outpatient Departments and Ambulatory Surgical Centers* (OEI-05-00-00340, issued Jan. 2003).

HOW WE CONDUCTED THIS REVIEW

We limited our review to Medicare Part B payments to ASCs and outpatient departments for ASC-approved procedures performed during CYs 2007 through 2011. From a total of approximately $12.6 billion that Medicare paid to ASCs for procedures performed during that period, we reviewed claims that included 413 ASC-approved HCPCS codes (representing 96 percent of procedures performed in ASCs and 95 percent of Medicare payments at ASCs). We selected the 413 HCPCS codes that during any 1 year of our audit period: (1) were performed at ASCs at least 1,000 times or (2) for which Medicare reimbursed at least $1 million. We compared the average Medicare payments for the selected HCPCS codes at ASCs and outpatient departments to identify the payment differential during the review period.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix A gives details on AHRQ patient-risk data; Appendix B lists the Federal requirements related to ASCs, outpatient departments, and the respective payment systems; and Appendix C provides the details of our audit scope and methodology. Appendix D shows our mathematical calculation methodology, and Appendix E has the results of our calculations.

FINDINGS

Medicare saved almost $7 billion during CYs 2007 through 2011 and could potentially save $12 billion during CYs 2012 through 2017 because the ASC rates are frequently lower than outpatient department rates for outpatient surgical procedures performed at ASCs. Medicare could generate additional savings of as much as $15 billion if CMS reduces outpatient department payment rates for ASC-approved procedures to ASC payment levels for procedures performed on beneficiaries with low-risk and no-risk clinical needs. Figure 3 summarizes the CYs 2012 through 2017 Medicare savings.

Figure 3: Medicare Savings CYs 2012-2017

These Medicare figures do not include savings to the beneficiary for cost sharing. Beneficiaries saved approximately $2 billion during CYs 2007 through 2011. During CYs 2012 through 2017, beneficiaries could potentially save $3 billion because the ASC rates are frequently lower than outpatient department rates for outpatient surgical procedures performed at ASCs. Beneficiaries could potentially save an additional $2 billion to $4 billion during CYs 2012 through 2017 if CMS reduces outpatient department payment rates for ASC-approved procedures to ASC payment levels.

MEDICARE EXPERIENCED SAVINGS BECAUSE OF THE PAYMENT DIFFERENTIAL

The difference between ASC and outpatient department payment rates saved Medicare almost $7 billion and beneficiaries an additional $2 billion during CYs 2007 through 2011. For 96 percent of the HCPCS codes examined, ASC average payments were lower than outpatient department average payments with the largest median[13] difference of $364.90 occurring in 2009. Table 1 summarizes the median differences of average payments by year for selected HCPCS codes.

Table 1: Median Differences Between Average ASCPPS and OPPS Payments for Selected HCPCS

2007	2008	2009	2010	2011
$294.13	$341.95	$364.90	$348.22	$363.15

Assuming that utilization does not change for ASCs and outpatient departments during CYs 2012 through 2017 from that of CY 2011, Medicare will save approximately $12 billion because of the payment differential. CMS does not need to make any changes, nor do ASCs have to perform any additional procedures, for these savings to occur. Estimated beneficiary savings of approximately $3 billion are in addition to these estimated Medicare savings.

MEDICARE COULD GAIN ADDITIONAL SAVINGS THROUGH LEGISLATIVE CHANGE FOR LOWER OUTPATIENT PROSPECTIVE PAYMENT SYSTEM PAYMENT RATES

Medicare and its beneficiaries could save more if CMS lowered OPPS payment rates for ASC-approved procedures to the level of ASC payment rates. However without legislative change, budget neutrality required by section 1833(t)(9)(B) of the Act would negate these savings. The budget neutrality adjustment applied to the OPPS rate setting methodology causes any decreases in relative weights to be offset by increases in other relative weights. In effect, lowered rates for some procedures would result in higher rates for others. For Medicare to realize these additional savings long-term, legislation must allow the OPPS rates for ASC-approved procedures to be determined in a non-budget-neutral manner (i.e., outside of section 1833(t)(9)(B) of the Act).

[13] The average differences included several outliers and anomalies. Therefore, we based our analysis on the median rather than the mean.

When calculating potential savings, we assumed that CMS would lower OPPS rates for ASC-approved procedures to at least equal that of ASCPPS rates, when, in fact, CMS could lower rates to any level it deemed reasonable. We calculated the potential savings for CYs 2012 through 2017 by using (1) CY 2011 utilization data, (2) the estimated increase in OPPS payment rates based on changes in the HMB price index and related MFP adjustment, and (3) the estimated increase in the ASCPPS payment rates on the basis of changes in the CPI-U price index and related MFP adjustment.

With legislative change and reduced OPPS rates for ASC-approved procedures, Medicare could generate potential savings of as much as $15 billion during these years for beneficiaries without high-risk medical profiles. We recognize that not all beneficiaries can receive services in an ASC because of the beneficiaries' clinical needs. To account for these beneficiaries, we used AHRQ statistics to exclude procedures for a percentage of beneficiaries with high-risk medical profiles (32 percent of patients) and reduced our total estimated savings to a range of approximately $7 billion to $15 billion. These savings are stated as a range to present potential savings of $7 billion for those procedures performed on beneficiaries with only no-risk medical profiles (33 percent of patients), to potential savings of $15 billion for those procedures performed on beneficiaries with only low- and no-risk medical profiles (68 percent of patients). In addition, these beneficiaries could potentially save an additional $2 billion to $4 billion during these years.

We recognize that when procedures must be performed in an outpatient department because of the beneficiary's clinical needs, higher costs would be possible. As such, these services could be reimbursed at the standard OPPS rate.[14]

CONCLUSION

As a result of the payment differential, Medicare saved almost $7 billion and beneficiaries saved an additional $2 billion during CYs 2007 through 2011. Also, Medicare and beneficiaries could save an additional $12 billion and $3 billion, respectively, during CYs 2012 through 2017. We estimated that Medicare could save as much as $15 billion more and beneficiaries could potentially save as much as $4 billion more if CMS changes the way it pays outpatient departments for certain ASC-approved procedures.

RECOMMENDATIONS

We recommend that CMS:

- seek legislation that would exempt the reduced expenditures as a result of lower OPPS payment rates from budget neutrality adjustments for ASC-approved procedures.

[14] However, if Congress makes the recommended legislative change and CMS reduces OPPS rates for ASC-approved procedures, we do not intend for CMS to use AHRQ statistics to implement the reduced OPPS rates or any necessary exceptions to those rates.

If Congress passes the budget-neutrality exemption for the reduced expenditures, we recommend that CMS take the following actions, which we estimated could save as much as $15 billion for CYs 2012 through 2017:

- reduce OPPS payment rates for ASC-approved procedures on beneficiaries with no-risk or low-risk clinical needs in outpatient departments and then

- develop and implement a payment strategy in which outpatient departments would continue to receive the standard OPPS payment rate for ASC-approved procedures that must be provided in an outpatient department because of a beneficiary's individual clinical needs.

CMS COMMENTS

In written comments on our draft report, CMS did not concur with our recommendations. CMS stated that adopting the recommendations would require legislation and that such a proposal is not currently included in the President's Budget. CMS also noted that the recommended changes "…may raise circularity concerns with respect to the rate calculation process" because most ASC payment rates are based on the OPPS payment rates that we are recommending that CMS reduce and that OIG did not provide specific clinical criteria to distinguish patients' risk levels. CMS's comments are included in their entirety as Appendix F.

OFFICE OF INSPECTOR GENERAL RESPONSE

We continue to recommend that CMS draft, and submit for review, a legislative proposal that would exempt the reduced expenditures as a result of lower OPPS payment rates from budget neutrality adjustments for consideration for inclusion in future budget and legislative agendas. As part of the process for developing the President's Budget, CMS identifies program vulnerabilities and offers solutions for addressing them. CMS has the authority to develop legislative proposals for Medicare and has historically addressed some OIG recommendations to seek legislative change by developing legislative proposals for possible inclusion in the President's budget and legislative program. Safeguarding programs from fraud, waste, and abuse is an ongoing program management responsibility and some issues may require legislation to address. We look forward to CMS's final management decision in light of this clarification of the intent of our recommendations.

Also, we agree that we did not provide specific clinical criteria to distinguish patients' risk levels and that, depending on the method used to implement our recommendations, circularity concerns may arise. However, that does not prevent implementation of our recommendations. CMS is in the best position to determine how to assess a patient's risk and to develop a payment strategy that would reduce OPPS payments for no- and low-risk patients without disrupting the current payment methodologies. Considering the potential savings identified in our report, we maintain that CMS should take the necessary steps to implement our recommendations.

APPENDIX A: CONSIDERING PATIENT RISK USING AGENCY FOR HEALTHCARE RESEARCH AND QUALITY DATA

To account for patient risk, OIG obtained statistics from the Healthcare Cost and Utilization Project (HCUP).

The HCUP is a family of health care databases and related software tools and products developed through a Federal-State-industry partnership and sponsored by AHRQ. HCUP includes the largest collection of hospital care data in the United States, with encounter-level information beginning in 1988. HCUP databases bring together the data collection efforts of State data organizations, hospital associations, private data organizations, and the Federal Government to create a national information resource of patient-level health care data.

AHRQ officials provided us with research data from a study AHRQ did of the HCUP exploring short-stay (less than 2 days) surgeries performed for adults 65 and older with common risk factors (defined below) using CY 2010 data from 27 State data organizations that participate in HCUP State Inpatient Databases and State Ambulatory Surgery Databases. The organizations came from these States: California, Colorado, Connecticut, Florida, Georgia, Hawaii, Iowa, Illinois, Indiana, Kansas, Kentucky, Maryland, Michigan, Minnesota, Missouri, North Carolina, Nebraska, New Jersey, New York, Ohio, Oklahoma, Oregon, South Carolina, South Dakota, Tennessee, Vermont, and Wisconsin.

AHRQ officials used a population of 3,072,311 HCUP records during CY 2010 for patients meeting the following criteria:

- 65 or older,
- treated and discharged at community nonrehabilitation hospitals,
- with inpatient stays of 2 days or less, and
- whose patient records included at least one diagnosis or procedure code fitting the HCUP narrow definition of "surgery."

Patient-Risk Level Defined

AHRQ officials identified patients as high risk, low risk, or no risk on the basis of the following risk factor conditions: age 80 and older, cancer, diabetes, mental health and substance abuse disorders, nervous system disorder, heart disease, asthma/chronic obstructive pulmonary disease, renal failure, arthritis, or obesity. A high-risk patient was defined as having two or more of these risk factor conditions. A low-risk patient was defined as having one of these risk factor conditions. A no-risk patient was defined as having none of these risk factor conditions. AHRQ officials defined these risk factors by grouping chronic diagnosis codes and then identifying records of patients with discharges including these diagnosis codes.

Agency for Healthcare Research and Quality Data Results

Of the 3,072,311 patient-discharge records in the population, 32 percent included two or more risk factors and were considered high risk. Thirty-five percent included one risk factor and were considered as having low risk. The remaining 33 percent were considered as having no risk because the record did not contain any of the selected risk factors. Table 2 summarizes these patient risk level results.

Table 2: Patient-Risk Levels

Risk Factors	Percent of Total	Low- and No-Risk	No-Risk
No-Risk (0 factors)	33%	33%	33%
Low-Risk (1 factor)	35%	35%	
High-Risk (2 or more factors)	32%		
Total	**100%**	**68%**	**33%**

These results show that approximately 32 percent of patients have a high-risk medical profile and that the remaining 68 percent of patients have no-risk (33 percent) or low-risk (35 percent) medical profiles.

APPENDIX B: FEDERAL REQUIREMENTS

FEDERAL REQUIREMENTS FOR AMBULATORY SURGICAL CENTER-APPROVED PROCEDURES

Federal regulations at 42 CFR § 416.166 state that surgical procedures in an ASC that are covered by Medicare (ASC-approved) must include only outpatient surgeries that CMS has determined do not pose a significant safety risk to the patient when furnished in an ASC, are not expected to require active medical monitoring at midnight following the procedure (i.e., an overnight stay), and are separately paid under OPPS. Excluded surgical procedures have the following characteristics:

(1) Generally result in extensive blood loss;

(2) Require major or prolonged invasion of body cavities;

(3) Directly involve major blood vessels;

(4) Are generally emergent or life threatening in nature;

(5) Commonly require systemic thrombolytic therapy;

(6) Are designated as requiring inpatient care under § 419.22(n);

(7) Can only be reported using a CPT [common procedural terminology] unlisted surgical procedure code; or

(8) Are otherwise excluded under § 411.15.

FEDERAL REQUIREMENTS FOR THE OUTPATIENT PROSPECTIVE PAYMENT SYSTEM

Sections 1833(t)(1)(A) and (t)(1)(B)(i) of the Act require the establishment of a prospective payment system for covered outpatient department services. Covered outpatient department services are designated by the Secretary. Section 419.2(a) of 42 CFR states the services are identified by HCPCS codes.

The basic methodology for determining OPPS payment rates is set forth in 42 CFR part 419 subpart C. Section 419.31(a) states that CMS classifies outpatient services and procedures into APC groups on the basis of clinical and resource use similarity. Section 419.32(c) defines the OPPS payment rate as the product of the OPPS conversion factor and APC relative weight, and section 419.32(b) states that the OPPS conversion factor is updated yearly partly on the basis of the HMB percentage increase. Section 419.32(b)(1)(iv)(B)(3) states that the percentage increase determined under (b)(1)(IV)(a) is reduced by the following for the specified year and for CY 2012: a multifactor adjustment and a 0.1 percentage point. The APC relative weights are determined by a process explained in section 419.31(b).

Section 1833(t)(3)(F)(i) of the Act requires that the OPPS increase factor be reduced by the productivity adjustment for 2012 and subsequent years. Sections (t)(3)(F)(ii) and (t)(3)(G)(ii) discuss additional adjustments for 2010 through 2019.

Section 419.41(b) of 42 CFR states that, each year, CMS calculates the Medicare payment percentage for each APC group on the basis of each group's unadjusted copayment amount and its payment rate adjusted by the conversion factor. For each APC group, the beneficiary's coinsurance percentage is the greater of 20 percent or the ratio of the APC group unadjusted copayment amount to the APC group payment rate (42 CFR § 419.40(b)(1)). However, the coinsurance percentage cannot exceed 40 percent (42 CFR § 419.41(c)(4)(iii)). In addition, the copayment amount cannot exceed the amount of the inpatient hospital deductible (42 CFR § 419.41(c)(4)(i)).

FEDERAL REQUIREMENTS FOR THE AMBULATORY SURGICAL CENTER PROSPECTIVE PAYMENT SYSTEM

Section 626(b)(2) of the MMA required CMS to revise the ASC payment system no later than January 1, 2008. Subparagraph (D) of section 1833(i)(2) of the Act, as added by the MMA and later amended by section 5103 of the Deficit Reduction Act of 2005, reads as follows:

> (D)(i) Taking into account the recommendations in the report under section 626(d) of Medicare Prescription Drug, Improvement, and Modernization Act of 2003, the Secretary shall implement a revised payment system for payment of surgical services furnished in ambulatory surgical centers.
>
> (ii) In the year the system described in clause (i) is implemented, such system shall be designed to result in the same aggregate amount of expenditures for such services as would be made if this subparagraph did not apply, as estimated by the Secretary and taking into account reduced expenditures that would apply if subparagraph (E) were to continue to apply, as estimated by the Secretary.
>
> (iii) The Secretary shall implement the system described in clause (i) for periods in a manner so that it is first effective beginning on or after January 1, 2006, and not later than January 1, 2008.

The ASC rate setting methodology under the revised ASC payment system is set forth in 42 CFR § 416 subpart F. Section 416.167(a) includes the requirement that covered surgical procedures and covered ancillary services are identified by codes established under the HCPCS as the unit of payment. Section 416.167(b)(1) states that ASC-covered surgical procedures are classified using the APC groups described in section 419.31. Section 416.171 describes the determination of payment rates. Specifically, section 416.171(a) states the standard methodology is to calculate the product of the ASC conversion factor and the APC relative payment weight. Section 416.171(a)(2)(ii) states that, for CY 2010 and subsequent CYs, the ASC conversion factor is updated using the CPI-U. The APC relative weights are determined by a process explained in section 416.167(b).

Section 1833(i)(2)(D)(v) of the Act requires that, effective for CY 2011 and subsequent years, any annual update under the ASC payment system be reduced by a productivity adjustment.

Charges for services covered under the ASCPPS beyond the 80 percent Medicare covers are the beneficiary's responsibility. For ASC services furnished on or after January 1, 2008, "Medicare Part B pays the lesser of 80 percent of the actual charge or 80 percent of the prospective payment amount, geographically adjusted, if applicable ..." (42 CFR § 410.152(i)(2)). Therefore, the beneficiary's financial responsibility "is 20 percent of the actual charge or 20 percent of the prospective payment amount, geographically adjusted, if applicable."

FEDERAL REQUIREMENTS FOR BUDGET NEUTRALITY

Section 1833(t)(9)(B) of the Act regarding the OPPS states that "[i]f the Secretary makes adjustments under subparagraph (A), then the adjustments for a year may not cause the estimated amount of expenditures under this part for the year to increase or decrease from the estimated amount of expenditures under this part that would have been made if the adjustments had not been made."

Section 1833(i)(2)(D) of the Act regarding the ASCPPS states that "a revised payment system for payment of surgical services furnished in ambulatory surgical centers … shall be designed to result in the same aggregate amount of expenditures for such services as would be made if this subparagraph did not apply, as estimated by the Secretary and taking into account reduced expenditures that would apply if subparagraph (E) were to continue to apply, as estimated by the Secretary."

In the Final Rule, CMS-1517-F (72 Fed. Reg. 42470, 42533 (Aug. 2, 2007)), CMS stated that it will "update the ASC relative payment weights in the revised ASC payment system each year using the national OPPS relative payment weights for that same calendar year and uniformly scale the ASC relative payment weights for each update year to make them budget neutral."

APPENDIX C: AUDIT SCOPE AND METHODOLOGY

SCOPE

We limited our review to Medicare Part B payments to ASCs and outpatient departments for ASC-approved procedures paid for during CYs 2007 through 2011. We identified average Medicare payments and the numbers of procedures performed in ASCs and outpatient departments. We limited our review to only those HCPCS codes during any given year (1) that were performed at ASCs at least 1,000 times or (2) for which Medicare reimbursed ASCs at least $1 million. The selected sample was 413 HCPCS codes during the period under review and represents 96 percent of procedures performed and 95 percent of Medicare payments at ASCs.

Using this information, we compared the average Medicare payments for the selected HCPCS codes at ASCs and outpatient departments to identify the payment differential during the review period. We determined the amount that could have been saved had all HCPCS in our sample been performed at ASCs during this period. Furthermore, we calculated the potential Medicare savings from CYs 2012 through 2017 using CY 2011 utilization and payment rates. We did not adjust our calculations to include changes in utilization; however, we did adjust for changes in payment rates using the annual HMB and CPI-U price index updates and the MFP adjustments.

We used CY 2011 payment rates because 2011 was the first year that CMS calculated ASC payment rates using only the revised methodology established under 42 CFR § 416 subpart F. Federal regulations required CMS to implement the ASCPPS using a transitional period during CYs 2008 through 2010 (42 CFR § 416.171(c)). In addition, CY 2011 was the most current year of data available at the time.

We did not review the overall internal control structure of CMS as it relates to the Medicare payment system for ASCPPS and OPPS. Rather, we limited our internal control review to those controls that related to the objective of our audit.

We conducted fieldwork at the CMS Central Office in Baltimore, Maryland, from February through November, 2012.

METHODOLOGY

To accomplish our objective, we:

- reviewed applicable Federal laws, regulations, and guidance;
- held discussions with CMS officials to identify and gain an understanding of policies and procedures related to the ambulatory surgical services and hospital outpatient department programs;
- obtained Medicare utilization and payment data from the CMS's National Claims History File by HCPCS code for ambulatory surgical services provided in ASCs and outpatient departments for the period January 1, 2007, through December 31, 2011;

- obtained CYs 2013 through 2017 estimated HMB and CPI-U price index updates and respective MFP adjustments from CMS's Office of the Actuary (OACT);

- identified total Medicare expenditures related to all procedures performed in ASC and outpatient department settings;

- created a sampling frame of 12,182 HCPCS codes that were associated with 3.4 billion procedures performed totaling $234 billion for the 5-year period under review which included:

    - 35 million procedures reimbursed at ASCs for Medicare payments totaling $13 billion; and

    - 3.4 billion procedures reimbursed at outpatient departments for Medicare payments totaling $221 billion;

- selected from the sampling frame a judgmental sample of 413 HCPCS codes:[15]

    - that were performed at ASCs at least 1,000 times during any 1 year[16] or

    - for which Medicare reimbursed ASCs at least $1 million during any 1 year;

- calculated ASCPPS payments as a percentage of OPPS payments for each year and for the combined 5-year audit period;

- calculated the average Medicare payment per HCPCS code in both the ASC and outpatient department settings;

- calculated the difference between average Medicare payments for procedures performed in ASCs and average Medicare payments for the same procedures performed in outpatient departments;

- calculated Medicare savings for each year in our audit period by multiplying utilization by the difference between average ASC and outpatient department Medicare payments;

- calculated future potential savings using CY 2011 utilization data and the difference between the average ASC and outpatient department payments updated each year for estimated changes in the CPI-U and HMB price indexes and the MFP adjustments;

---

[15] These 413 HCPCS codes related to 96 percent of procedures performed and 95 percent of Medicare reimbursements during the audit period. Specifically, Medicare reimbursed providers $12,089,489,909 for 33,767,338 procedures performed at ASCs and $35,732,207,819 for 56,806,824 of the same procedures performed at outpatient departments during our audit period.

[16] The selection criteria specify that the condition need only be met during any 1 year, so many HCPCS codes may not meet the criteria during all years.

- obtained AHRQ statistical data on patient risk and applied the data to our findings (Appendix B);

- identified that 20 percent is a conservative and approximate amount of beneficiary cost sharing and applied the percentage to our findings;

- determined the effects of budget neutrality on changes in utilization and payment rates; and

- discussed the results of our review with CMS officials.

See Appendix D for our mathematical calculation methodology and Appendix E for our sample results and potential savings.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

APPENDIX D: MATHEMATICAL CALCULATION METHODOLOGY

MEDICARE SAVINGS FOR 2007 THROUGH 2011

To determine the savings Medicare experienced during CYs 2007 through 2011 because of the payment differential, we calculated the difference between the average Medicare payments in ASCs and outpatient departments for each HCPCS code in each year, multiplied the difference in average payment by the ASC utilization, and totaled each year's results.

POTENTIAL MEDICARE SAVINGS FOR 2012 THROUGH 2017

To estimate the savings Medicare could experience during CYs 2012 through 2017 because of the payment differential, we used CY 2011 ASC utilization and estimated increases in payment rates using HMB and CPI-U estimates and MFP adjustments. We calculated the difference between the projected average Medicare payments in ASCs and outpatient departments for each HCPCS code during the timeframe.

POTENTIAL MEDICARE SAVINGS FOR 2012 THROUGH 2017 BY LOWERING OUTPATIENT PROSPECTIVE PAYMENT SYSTEM PAYMENT RATES TO EQUAL AMBULATORY SURGICAL CENTER PROSPECTIVE PAYMENT SYSTEM RATES

To estimate the potential Medicare savings for CYs 2012 through 2017 if CMS lowered OPPS rates to equal ASCPPS rates, we used (1) CY 2011 outpatient department utilization, (2) the estimated increase in OPPS payment rates based on changes in the HMB price index and related MFP adjustment, and (3) the estimated increase in the ASCPPS payment rates based on changes in the CPI-U price index and related MFP adjustment. We did not estimate for increases in utilization. We calculated the difference between the estimated average Medicare payments in ASCs and outpatient departments for each HCPCS code, multiplied that difference by the 2011 utilization amounts, summed the total for all HCPCS, and summed the yearly totals for CYs 2012 through 2017.

We adjusted the estimated total savings to reflect a range of more conservative savings for procedures that cannot be performed in an ASC because of patient risk by multiplying the estimated savings by 33 percent and 68 percent.

APPENDIX E: POTENTIAL SAVINGS FOR THE SELECTED SAMPLE

Table 3: Results

Year	HCPCS Codes	ASCs		Outpatient Departments	
		Utilization	Reimbursements	Utilization	Reimbursements
2007	335	6,183,115	$2,234,435,661	11,294,362	$5,261,148,371
2008	389	6,715,120	2,344,484,318	11,633,361	6,528,775,831
2009	386	7,037,850	2,434,219,342	12,380,024	7,434,935,153
2010	390	7,267,716	2,510,848,058	10,463,074	7,943,756,809
2011	392	6,563,537	2,565,502,530	11,036,003	8,563,591,655
Total	**413**[17]	**33,767,338**	**$12,089,489,909**	**56,806,824**	**$35,732,207,819**

Table 4: Estimated Medicare Savings for CYs 2007 Through 2011

Year	Estimated Savings
2007	$ 795,652,581
2008	1,084,518,402
2009	1,448,920,045
2010	1,648,016,920
2011	1,835,751,695
Total	**$6,812,859,643**

Table 5: Potential Medicare Savings for CYs 2012 Through 2017 If Utilization and Payment Rates Remain the Same

Year	Potential Savings
2012	$ 1,882,726,731
2013	1,952,384,520
2014	2,016,314,061
2015	2,097,978,560
2016	2,191,812,068
2017	2,280,568,191
Total	**$12,421,784,131**

[17] The total amount of HCPCS codes selected is not equal to the sum of all HCPCS performed from CYs 2007 through 2011. The selection criteria specify that the condition need only be met during any 1 year to be included in the sample.

Table 6: Additional Possible Medicare Savings for CYs 2012 Through 2017 by Lowering Outpatient Prospective Payment System Payment Rates To Equal Ambulatory Surgical Center Prospective Payment System Rates

Year	Savings Including 68% of the At-Risk Population	Savings Including 33% of the At-Risk Population
2012	$2,211,745,417	$1,073,347,042
2013	2,302,229,829	1,117,258,593
2014	2,382,881,818	1,156,398,529
2015	2,486,667,984	1,206,765,345
2016	2,606,478,140	1,264,908,509
2017	2,718,636,081	1,319,338,098
Total	**$14,708,639,269**	**$7,138,016,116**

APPENDIX F: CMS COMMENTS

DEPARTMENT OF HEALTH & HUMAN SERVICES

Centers for Medicare & Medicaid Services

Administrator
Washington, DC 20201

DATE: DEC 13 2013

TO: Daniel R. Levinson
Inspector General

FROM: Marilyn Tavenner
Administrator

SUBJECT: Office of Inspector General (OIG) Draft Report: Medicare and Beneficiaries Could Save Billions If CMS Reduces Hospital Outpatient Department Payment Rates for Ambulatory Surgical Center-Approved Procedures to Ambulatory Surgical Center Payment Rates (A-05-12-00020)

The Centers for Medicare & Medicaid Services (CMS) appreciates the opportunity to review and respond to the above subject OIG draft. OIG stated that the objectives of its review were to determine how much Medicare--(1) Has saved as a result of procedures being performed in Ambulatory Surgical Centers (ASCs) instead of outpatient departments; and (2) Could save if payment rates for the outpatient departments were reduced to the same level as ASC payment rates. According to OIG, Medicare saved almost $7 billion during calendar years (CYs) 2007 through 2011 and could potentially save $12 billion from CYs 2012 through 2017 because ASC rates are frequently lower than outpatient department rates for surgical procedures. In addition, Medicare could generate savings of as much as $15 billion for CYs 2012 through 2017 if CMS reduces outpatient department payment rates for ASC-approved procedures to ASC payment levels for procedures performed on beneficiaries with low risk and no-risk clinical needs.

The OIG recommendations and the CMS response to those recommendations are discussed below.

OIG Recommendations

The OIG recommends that CMS seek legislation that would exempt the reduced expenditures as a result of lower outpatient perspective payment system (OPPS) payment rates from budget neutrality adjustments for ASC-approved procedures.

If Congress passes the budget-neutrality exemption for the reduced expenditures, OIG recommends that CMS take the following actions, which OIG estimated could save as much as $15 billion from CYs 2012 through 2017:

- Reduce OPPS payment rates for ASC-approved procedures on beneficiaries with no-risk or low-risk clinical needs in outpatient departments.

- Develop and implement a payment strategy in which outpatient departments would continue to receive the standard OPPS payment rate for ASC-approved procedures that must be provided in an outpatient department because of a beneficiary's individual clinical needs.

CMS Response

We do not concur with the recommendations. As OIG's recommendations indicate, adopting these recommendations would require legislation and such a proposal is not currently included in the President's Budget. We further note that most ASC payment rates are based on the OPPS relative payment weights and an ASC-specific conversion factor. Because most ASC rates are based on OPPS rates, OIG's recommendations may raise circularity concerns with the respect to the rate calculation process. Lastly, we note that OIG suggests no specific clinical criteria to distinguish patients that can be adequately treated in an ASC relative to the hospital outpatient setting that would be needed to act on these recommendations.

The CMS thanks OIG for their efforts on this issue and looks forward to working with OIG on this and other issues in the future.

Jennifer Groves Fusco

From: Shrestha, Anuja <ashrestha@acr.org>
Sent: Tuesday, July 25, 2017 12:28 PM
To: DiVestea, Kenneth
Cc: Jennifer Groves Fusco; Cordeau, Peter
Subject: RE: New Modality Change of Ownership Form for Facility ID#00445

Hello Kenneth,

Thank you for the form. I will forward this to my manager. I will let you know once I get any response from him.

Thank you,
Anuja Shakya Shrestha
Q&S Department

From: DiVestea, Kenneth [mailto:Kenneth.DiVestea@sharonhospital.com]
Sent: Tuesday, July 25, 2017 11:28 AM
To: Shrestha, Anuja
Cc: Jennifer Groves Fusco (jfusco@uks.com); Cordeau, Peter
Subject: RE: New Modality Change of Ownership Form for Facility ID#00445

Anuja,

I have attached the completed New Ownership/Modality ID Designation form for your review. It is my understanding that this form refers only to MRI, Breast MRI, CT, NM, US, Breast US, and Stereo Breast Biopsy Imaging. Mammography will need to be completed online on the day of transition, correct? Thank you for your help in this matter.

Kenneth DiVestea
Sharon Hospital Radiology Manager
Hudson Valley Radiologists, P.C.
50 Hospital Hill Rd
Sharon, CT 06069
860-364-4513 (Work)
845-206-5980 (Mobile)

HVR

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By Elizabeth L. Munnich and Stephen T. Parente

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HEALTH AFFAIRS 33,
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Procedures Take Less Time At Ambulatory Surgery Centers, Keeping Costs Down And Ability To Meet Demand Up

Elizabeth L. Munnich (beth.munnich@louisville.edu) is an assistant professor of economics at the University of Louisville, in Kentucky.

Stephen T. Parente is a professor of finance and associate dean at the Carlson School of Management, University of Minnesota, in Minneapolis.

ABSTRACT **During the past thirty years outpatient surgery has become an increasingly important part of medical care in the United States. The number of outpatient procedures has risen dramatically since 1981, and the majority of surgeries performed in the United States now take place in outpatient settings. Using data on procedure length, we show that ambulatory surgery centers (ASCs) provide a lower-cost alternative to hospitals as venues for outpatient surgeries. On average, procedures performed in ASCs take 31.8 fewer minutes than those performed in hospitals—a 25 percent difference relative to the mean procedure time. Given the rapid growth in the number of surgeries performed in ASCs in recent years, our findings suggest that ASCs provide an efficient way to meet future growth in demand for outpatient surgeries and can help fulfill the Affordable Care Act's goals of reducing costs while improving the quality of health care delivery.**

Technological developments in medicine have dramatically changed the provision of surgical care in the United States during the past thirty years. Advances in anesthesia and the development of laparoscopic surgery in the 1980s and 1990s made it possible for patients to be discharged the same day as their surgery, whereas previously they would have had to spend several days in the hospital recovering.[1,2] The introduction of the Medicare inpatient prospective payment system in 1983 created additional incentives for hospitals to shift patient care from inpatient to outpatient departments.[3]

Between 1981 and 2005 the number of outpatient surgeries nationwide—performed either in hospital outpatient departments or in freestanding ambulatory surgery centers (ASCs)—grew almost tenfold, from 3.7 million to over 32.0 million. Outpatient procedures represented over 60 percent of all surgeries in the United States in 2011, up from 19 percent in 1981.[4]

The expansion of health insurance coverage under the Affordable Care Act (ACA) presents opportunities to explore new ways to accommodate the increased demand for outpatient services. In addition, the ACA's goals of reducing the cost and improving the quality of health care delivery makes it increasingly important to find alternatives to existing methods of care delivery that cost less and are in more flexible settings.

ASCs are such an alternative to hospital outpatient departments. The number of ASCs has grown quickly to meet the rising demand for outpatient surgery services since the 1980s.[5] Whereas outpatient departments provide a range of complex services, including inpatient and emergency services, ASCs provide outpatient surgery exclusively. Since most ASCs focus on a limited number of services, they may provide higher-quality care at a lower cost than hospitals that offer a broad range of services.[6] Similar to retail clinics that meet primary care needs, ASCs offer convenient, relatively low-cost access to health care services.[7]

This article addresses the possibilities for ASCs

to generate substantial cost savings in outpatient surgery by presenting new evidence on the cost advantages of these centers relative to hospital outpatient departments. This is particularly important in light of the anticipated growth in demand for outpatient surgeries, in part as a result of the ACA.

Background On Ambulatory Surgery Centers

The number of outpatient surgeries has grown considerably in the United States since the early 1980s. Outpatient surgery volume across both hospital-based and freestanding facilities grew by 64 percent between 1996 and 2006, according to the National Survey of Ambulatory Surgery.[8]

Physicians receive the same payment for an outpatient procedure, regardless of whether it occurred in an ASC or a hospital. However, payments to facilities differ between settings. In general, reimbursements for outpatient procedures in hospitals are higher than those for procedures in ASCs, to account for the fact that compared to ASCs, hospitals must meet additional regulatory requirements and treat patients whose medical conditions are more complex.[9] However, there is little evidence about the extent of cost advantages of ASCs, since these facilities have not historically reported cost or volume data. In spite of the limited availability of information about ASC costs, the Centers for Medicare and Medicaid Services has adjusted the relative facility payments over time to reflect speculative cost differentials across the two types of outpatient surgery facilities.[10]

Changes in reimbursement levels for outpatient procedures have likely contributed to fluctuations in the number of ASCs in recent years. In 2000 Medicare's traditional cost-based reimbursement system for outpatient care in hospitals was replaced with the outpatient prospective payment system, which reimburses hospitals on a predetermined basis for what the service provided is expected to cost.

Noting the dramatic growth in outpatient surgeries performed in ASCs relative to hospitals around the same time, the Centers for Medicare and Medicaid Services subsequently made efforts to reduce ASCs' payments. The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 froze ASCs' payment updates, and between 2008 and 2012 Medicare phased in a new system for ASCs' payments based on the outpatient prospective payment system.[9,11] The rates were set so that for any outpatient procedure, payments to ASCs would be no more than 59 percent of payments made to hospitals, phased in fully by 2012. This policy change reduced incentives to treat patients in ASCs, which may have contributed to slower growth in this sector in recent years (Exhibit 1).

In spite of reduced incentives for treating patients outside of hospitals, growth in outpatient volume was greater in ASCs than in hospitals during the period 2007–11. For example, volume among Medicare beneficiaries grew by 23.7 percent in ASCs, compared to 4.3 percent in hospital outpatient departments (Exhibit 2). This suggests that physicians and patients still increasingly prefer outpatient surgery in ASCs to that in hospitals, because of either perceived advantages in cost and quality or resource constraints that inhibit hospitals' ability to meet the growing demand for outpatient surgeries.

ASCs have been praised for their potential to provide less expensive, faster services for low-risk procedures and more convenient locations for patients and physicians, compared to outpatient departments.[11–14] However, if hospitals are better equipped to treat high-risk patients, treating higher-risk patients in ASCs could have negative consequences for patient outcomes.

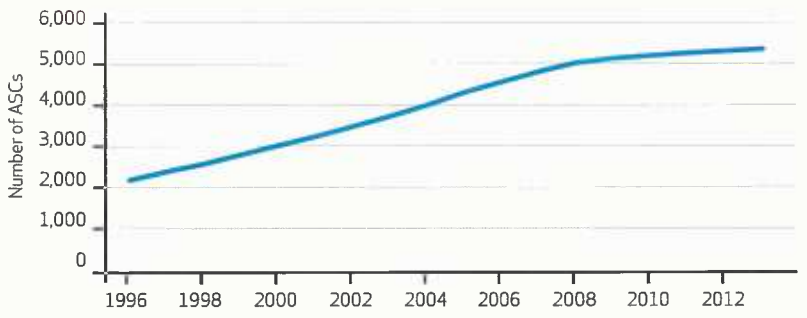
There is little evidence about the quality of care provided in ASCs or their ability to function as substitutes for hospitals in providing outpatient surgery. Comparisons of outcomes between these two types of outpatient facilities are complicated by the fact that ASCs tend to treat a healthier mix of patients than hospitals do. Thus, any differences in observed outcomes between the two settings could reflect differences in underlying patient health instead of differences in quality of care.

Elsewhere, we used variations in ASC use generated by changes in Medicare reimbursements to outpatient facilities to show that patients treated in ASCs fare better than those treated in hospitals.[15] In particular, we considered the likelihood that patients undergoing one of the five highest-volume outpatient procedures[16] visited an emergency department or were admitted to the hospital after surgery. These outcomes have been used in the medical literature as proxies for quality in outpatient surgical care.[17,18] These measures are also interesting from a policy perspective: As of October 2012, as part of the Ambulatory Surgical Center Quality Reporting Program,[19] ASCs are required to report transfers of patients directly from the ASC to a hospital and hospital admissions of ASC patients upon discharge from the facility.

Our findings indicate that the highest-risk Medicare patients were less likely than other high-risk Medicare patients to visit an emergency department or be admitted to a hospital following an outpatient surgery when they were treated in an ASC, even among similar patients

EXHIBIT 1

Number Of Medicare-Certified Ambulatory Surgery Centers (ASCs), 1996–2013



SOURCE Kay Tucker, director of communications, Ambulatory Surgery Center Association, October 29, 2013.

undergoing the same procedure who were treated by the same physician in an ASC and a hospital. These results indicate that ASCs provide high-quality care, even for the most vulnerable patients.

In this article we examine the question of whether or not ASCs are less costly than hospital outpatient departments. The answer to this question is not straightforward, since little is known about surgery cost and volume in ASCs. The often-cited cost differential between ASCs and outpatient departments is frequently attributed to differences in reimbursement rates for the two types of facilities, which reflect hospitals' greater complexity of patients and procedures. But for an average patient undergoing a high-volume procedure, are ASCs more efficient than hospital outpatient departments?

Study Data And Methods

Our analysis incorporated one important aspect of cost in the outpatient surgery setting: the time it takes to perform procedures in ASCs and hospital outpatient departments. For data on that time, we used the National Survey of Ambulatory Surgery. This survey of outpatient surgery in hospitals and freestanding surgery centers in the United States was conducted by the Centers for Disease Control and Prevention from 1994 to 1996 and in 2006.

The 2006 data include patients' diagnoses, demographic characteristics, and surgical procedures, as well as information about length of surgery and recovery for 52,000 visits at 437 facilities. There are four length-of-surgery measures: time in the operating room; time in surgery (a subset of time in the operating room); time in postoperative care; and total procedure time (time in the operating room, time in postoperative care, and transport time between the operating room and the recovery room).

Previous research has documented differences in surgery time between ASCs and hospital outpatient departments.[12,20] However, observed differences in procedure time may reflect underlying differences in patients' characteristics, instead of differences in efficiency between the two types of facilities. To address this concern, we estimated the relationship between outpatient setting and procedure time, controlling for a patient's primary procedure, number of procedures, and characteristics such as underlying health and demographics.[21]

EXHIBIT 2

Number Of Outpatient Surgery Visits, By Facility Type, 2007 And 2011

Type	2007	2011	Change (%)
Ambulatory surgery center	373,284	461,718	23.7
Freestanding	260,466	344,292	32.2
Hospital-based	112,818	117,426	4.1
Hospital outpatient department	1,173,309	1,224,218	4.3
All types	1,546,593	1,685,936	9.0

SOURCE Authors' analysis of a 5 percent sample of Medicare claims data. **NOTE** The numbers of outpatient department visits include only those that involved at least one surgical procedure.

Study Results

It is the nature of outpatient procedures that the patient spends most of his or her time in a surgical facility preparing for and recovering from surgery, not actually undergoing the surgery (Exhibit 3). This suggests that organization, staffing, and specialization may play a large role in the cost differences between ASCs and hospital outpatient departments.

Our estimates of the time savings for ASC treatment suggest that ASCs are substantially faster than hospitals at performing outpatient procedures, after procedure type and observed patient characteristics are controlled for (Exhibit 4). On average, patients who were treated in ASCs spent 31.8 fewer minutes undergoing procedures than patients who were treated in hospitals—a difference of 25 percent relative to the mean procedure time of 125 minutes (Exhibit 3). Thus, for an ASC and a hospital outpatient department that have the same number of staff and of operating and recovery rooms, the ASC can perform more procedures per day than the hospital can.

We estimated the cost savings for an outpatient procedure performed in an ASC using the results presented above and estimates of the cost of operating room time. Estimated charges for this time are $29–$80 per minute, not including fees for the surgeon and anesthesia provider.[22] Our

calculation suggests that even excluding physician payments and time savings outside of the operating room, ASCs could generate savings of $363–$1,000 per outpatient case.

These results support the claim that ASCs provide outpatient surgery at lower costs than hospitals. However, they provide little information about what is driving these cost differences.

Terrence Trentman and coauthors discuss several factors that affect patient flow and could result in differences in preoperative and recovery times for outpatient procedures between in ASCs and hospitals.[20] For example, compared to the situation in hospitals, in ASCs surgeons are more likely to be assigned to a single operating room for all cases, which reduces delays; the operating room is often closer to the preoperative and recovery rooms, because facilities are smaller; teams of staff have clearer and more consistent roles, with less personnel turnover; and staffing is not done by shifts—that is, staff members go home only after all cases are finished, which creates incentives to work quickly. In addition, hospitals may be more likely to have emergency add-on and bring-back cases for more complex cases that compete with outpatient procedures for operating room time.

These differences suggest that hospitals would have to adopt a substantially different and highly specialized organizational model to achieve the same efficiencies as ASCs.

Discussion

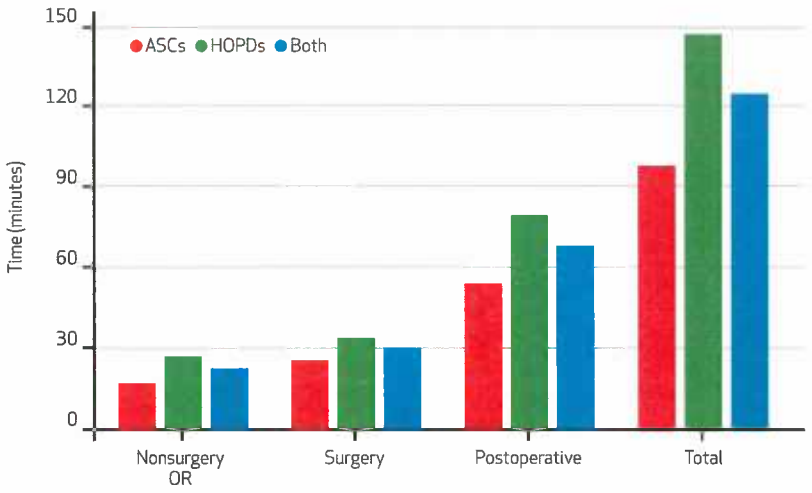
The findings presented here provide evidence that ASCs are a lower-cost alternative to hospitals for outpatient surgical procedures. The tremendous growth in the number of ASCs since the 1980s suggests that these facilities are quite flexible in meeting the growing demand for outpatient services. This is not surprising, given that ASCs have a smaller footprint than hospitals, which makes them less costly to build—particularly in urban environments, where available land may be scarce or difficult to acquire.

The Congressional Budget Office projects that as a result of the ACA, an additional twenty-five million people will have health insurance by 2016.[23] The question of whether the current supply of health care providers will be able to accommodate the anticipated surge in demand for services resulting from the ACA has received a considerable amount of attention.[24]

To get a sense of the magnitude of the anticipated growth in the outpatient surgery market following the ACA, we used a microsimulation model to project hospital outpatient surgical volume through 2021 (for details about the model, see the online Appendix).[25] Our estimates indicated that outpatient surgical volume in hospitals alone will increase by 8–16 percent annually between 2014 and 2021, compared to annual

EXHIBIT 3

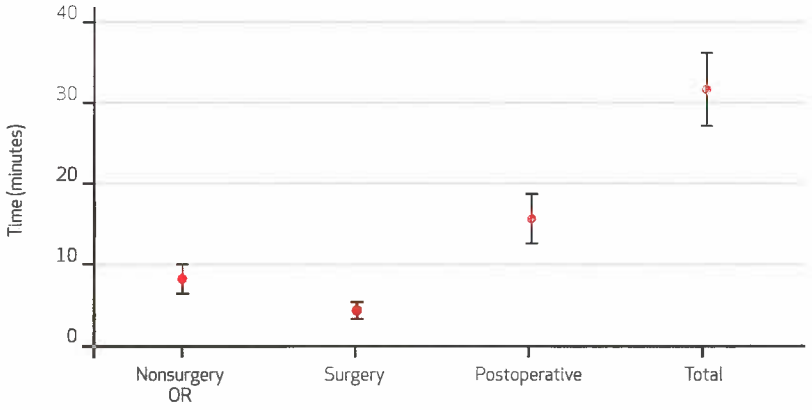
Average Outpatient Surgical Procedure Time, By Facility Type, 2006



SOURCE Authors' analysis of data from the 2006 National Survey of Ambulatory Surgery. **NOTES** Estimates were weighted using sample weights. ASC is ambulatory surgery center. HOPD is hospital outpatient department. "Both" is both types of facilities. OR is operating room. "Total" is total procedure time, from entering the operating room to leaving postoperative care, as described in the text.

EXHIBIT 4

Estimated Time Savings for Ambulatory Surgery Centers (ASCs) Relative to Hospital Outpatient Departments



SOURCE Authors' analysis of data from the 2006 National Survey of Ambulatory Surgery. **NOTES** Estimates and standard error bars represent results from separate ordinary least squares regressions of nonsurgical time in the operating room, surgery time, postoperative recovery time, and total time on an indicator for treatment in an ASC. (Total time is total procedure time, from entering the operating room to leaving postoperative care, as described in the text.) All regressions controlled for primary procedure, total number of procedures, patient's risk score, age, sex, disability status, type of insurance, and an indicator for whether the facility was located in a Metropolitan Statistical Area. The full specifications for these regressions are available in the online Appendix (see Note 25 in text). Data were balanced across surgery and postoperative time components; the final sample included 34,467 observations. Estimates were weighted using sample weights. Standard errors were clustered at the facility level. All estimates are significant ($p < 0.01$). OR is operating room.

growth rates of 1–3 percent in the previous ten years.

We did not have adequate data on surgical volume in ASCs to produce an equally precise estimate for the projected demand in this sector attributable to the ACA. However, our results indicate substantial growth even in hospital outpatient surgical volume, which has been growing at a much slower rate than ASC surgical volume. The trends in the growth in the number of ASCs before the passage of the ACA and our model for projected growth in the number of hospital outpatient department procedures suggest that it will be increasingly important to identify ways to accommodate growing demand for outpatient surgery. This is particularly important since hospitals will also likely face increased demand for other types of outpatient visits besides surgery after the ACA is implemented.

25 million

Procedures

The roughly 5,300 ASCs in the United States provide more than 25 million procedures each year.

The rapid growth in the number of procedures performed at ASCs in recent years is a good indication of the ability of the market to expand quickly when there are sufficient incentives for it to do so. The range of surgeries performed in ASCs has increased considerably since the 1980s. In 1981 Medicare covered 200 procedures that were provided in ASCs. Today about 3,600 different surgical procedures are covered under Medicare's ASC payment system.[9] Consequently, the volume of procedures performed in ASCs has increased dramatically, and the share of all outpatient surgeries performed in freestanding ASCs increased from 4 percent in 1981 to 38 percent in 2005.[26,27] The Ambulatory Surgery Center Association has estimated that roughly 5,300 ASCs provide more than twenty-five million procedures annually in the United States.[27]

Physicians who have an ownership stake in an ASC obtain greater profits from performing procedures in these facilities rather than in hospitals. Since physicians receive the same payment for their services regardless of whether procedures are performed in an ASC or a hospital, one implication of ASCs' lowering the cost of outpatient surgery without the price being adjusted accordingly—therefore leading to higher profit per procedure—is that it could create greater incentives for providers to recommend unnecessary procedures in physician-owned ASCs, a concept known as demand inducement. Another consequence of demand inducement is that physicians may respond to the increased number of patients with health insurance—as a result of the ACA—by performing surgeries that are not clinically indicated. Future research should examine the implications of reductions in the cost of outpatient surgery for demand inducement.

Conclusion

The ASC market faces challenges to meeting increased demand for outpatient surgery. As noted above, recent reimbursement changes have lowered payments to ASCs, which reduces the incentives to start or expand these facilities.

This gap in reimbursement is likely to continue to widen because Medicare's reimbursement rates for hospital procedures are updated annually according to projected changes in hospital prices, whereas ASC reimbursements are updated annually according to projected changes in the prices of all goods purchased by urban consumers, and medical spending is increasing at a much faster rate than other spending in the US economy. Furthermore, the disparity between medical and other consumer spending is expected to increase over time.

Critics of ASCs argue that these facilities "cherry pick" profitable patients and procedures, diverting important revenue streams from hospitals.[28–31] In combination with research on the quality of care in ASCs,[15] the findings in this article indicate that ASCs are a high-quality, lower-cost substitute for hospitals as venues for outpatient surgery. Increased use of ASCs may generate substantial cost savings, helping achieve the ACA's goals of reducing the cost and improving the quality of health care delivery. ■

These findings were previously presented at the National Bureau of Economic Research Hospital Organization and Productivity Conference, Harwich, Massachusetts, October 4–5, 2013.

NOTES

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2 Kozak LJ, McCarthy E, Pokras R. Changing patterns of surgical care in the United States, 1980–1995. Health Care Financ Rev. 1999; 21(1):31–49.

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6 Casalino LP, Devers KJ, Brewster LR. Focused factories? Physician-owned specialty facilities. Health Aff (Millwood). 2003;22(6):56–67.

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9 Medicare Payment Advisory Commission. Report to the Congress: Medicare payment policy [Internet]. Washington (DC): MedPAC; 2003 Mar [cited 2014 Mar 25]. Available from: http://www.medpac.gov/documents/mar03_entire_report.pdf

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16 The five highest-volume procedures by ASC volume are cataract removals, other minor eye procedures, colonoscopies, upper gastrointestinal endoscopies, and minor musculoskeletal procedures. According to our calculations, the top five procedures account for 82 percent of claims in ASCs, compared to 74 percent of claims in hospital outpatient departments.

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20 Trentman TL, Mueller JT, Gray RJ, Pockaj BA, Simula DV. Outpatient surgery performed in an ambulatory surgery center versus a hospital: comparison of perioperative time intervals. Am J Surg. 2010;200(1): 64–7.

21 We measured underlying patient health by generating patient risk scores using the Johns Hopkins University Adjusted Clinical Groups (ACG) System, version 10. This case-mix system uses *International Classification of Diseases*, Ninth Revision, Clinical Modification (ICD-9-CM), diagnosis codes and patient characteristics to construct measures of health status. The predictive modeling feature of the ACG software produces a concurrent weight that is a summary measure of the patient's current health status and resource use.

22 Macario A. What does one minute of operating room time cost? J Clin Anesth. 2010;22(4):233–6.

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25 To access the Appendix, click on the Appendix link in the box to the right of the article online.

26 American Hospital Association. 2008 chartbook: trends affecting hospitals and health systems [Internet]. Chicago (IL): AHA; [cited 2014 Mar 25]. Available from: http://www.aha.org/research/reports/tw/chartbook/2008chartbook.shtml

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User, OHCA

From: Mitchell, Micheala
Sent: Friday, August 18, 2017 7:33 AM
To: 'Jennifer Groves Fusco'
Cc: Rival, Jessica; Carney, Brian; Riggott, Kaila; User, OHCA
Subject: 17-32176-CON, Transfer of Membership Interest of WCOSC, LLC to SCA-Western Connecticut, LLC

Good morning Attorney Fusco,

OHCA is in the process of reviewing your completeness responses in the abovementioned application. Pages 19, 22 and 41 of the application characterize Western Connecticut Orthopedic Surgical Center, LLC ("WCSOC") as a "multi-specialty" facility. The completeness response to question number 7 states, in relevant part, "[t]he fact that WCOSC is a single-specialty center that handles many higher acuity elective orthopedic cases may contribute to its Medicaid volumes and percentages being lower than the multi-specialty facilities referenced above. "

Can you clarify whether WCOSC is a single-specialty facility or a multi-specialty facility?

Thank you,
Micheala L. Mitchell
Staff Attorney, PHHO/OHCA
Connecticut Department of Public Health
410 Capitol Avenue, MS# 13-HCA, Hartford, CT 06134
Phone: (860) 418-7055
Email: micheala.mitchell@ct.gov

User, OHCA

From: Jennifer Groves Fusco <jfusco@uks.com>
Sent: Friday, August 18, 2017 10:50 AM
To: Mitchell, Micheala
Cc: Rival, Jessica; Carney, Brian; Riggott, Kaila; User, OHCA
Subject: RE: 17-32176-CON, Transfer of Membership Interest of WCOSC, LLC to SCA-Western Connecticut, LLC

Good morning, Attorney Mitchell.

Sorry for the confusion. WCOSC is what you would typically characterize as a single-specialty orthopedic surgery center. However, because we broke out our case volume in Tables 5 and 6 by specialty, separately listing the spine and pain cases under the umbrella of orthopedics, I referred to it as multi-specialty in the initial submission. It is certainly not a traditional multi-specialty center with a diverse mix of surgical subspecialties like the other SCA facilities.

Does this answer your question? Please let me know if you need additional clarification.

Thanks,
Jen

From: Mitchell, Micheala [mailto:Micheala.Mitchell@ct.gov]
Sent: Friday, August 18, 2017 7:33 AM
To: Jennifer Groves Fusco
Cc: Rival, Jessica; Carney, Brian; Riggott, Kaila; User, OHCA
Subject: 17-32176-CON, Transfer of Membership Interest of WCOSC, LLC to SCA-Western Connecticut, LLC

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Can you clarify whether WCOSC is a single-specialty facility or a multi-specialty facility?

Thank you,
Micheala L. Mitchell
Staff Attorney, PHHO/OHCA
Connecticut Department of Public Health
410 Capitol Avenue, MS# 13-HCA, Hartford, CT 06134
Phone: (860) 418-7055
Email: micheala.mitchell@ct.gov

Olejarz, Barbara

From: Rival, Jessica
Sent: Thursday, August 24, 2017 2:38 PM
To: Diane.heelan@scasurgery.com; jfusco@uks.com
Cc: Mitchell, Micheala; Carney, Brian; Riggott, Kaila; Olejarz, Barbara
Subject: 17-32176-CON notification of application deemed complete
Attachments: 17- 32176-CON Notification of Application Deemed Complete.docx; 17- 32176-CON Notification of Application Deemed Complete.pdf

Good afternoon Ms. Heelan and Attorney Fusco,

On August 24, 2017, OHCA deemed complete Western Connecticut Orthopedic Surgical Center, LLC's and SCA-Western Connecticut, LLC's, application seeking authorization to transfer 11% of the membership interest of Western Connecticut Orthopedic Surgical Center, LLC. to SCA-Western Connecticut, LLC; Docket Number: 17-32176-CON. Attached you will find a Word document and a PDF of your letter of notification. Please confirm your receipt of this e-mail at your earliest convenience.

Thank you,

Jessica Rival
CCT Health Care Analyst
Office of Health Care Access
Connecticut Department of Public Health
410 Capitol Avenue MS#13HCA
Hartford, CT 06134
Phone: 860-418-7035
Fax: 860-418-7053
http://www/ct.gov/ohca

STATE OF CONNECTICUT
DEPARTMENT OF PUBLIC HEALTH

Raul Pino, M.D., M.P.H.
Commissioner

Dannel P. Malloy
Governor

Nancy Wyman
Lt. Governor

Office of Health Care Access

August 24, 2017

Via Email Only

Ms. Diane Heelan
Administrator/Director of Nursing
Western CT orthopedic Surgical Center
Diane.heelan@scasurgery.com

Ms. Jennifer Fusco
Legal Counsel
Updike, Kelly & Spellacy, P.C.
265 Church St.
New Haven, CT 06510
jfusco@uks.com

RE: Certificate of Need Application: Docket Number: 17-32176-CON
Transfer of 11% of the membership interest of Western Connecticut Orthopedic Surgical Center, LLC to SCA-Western Connecticut, LLC, an affiliate of Surgical Care Affiliates, LLC and United Health Group Inc.

Dear Ms. Heelan and Ms. Fusco:

This letter is to inform you that, pursuant to Section 19a-639a (d) of the Connecticut General Statutes, the Office of Health Care Access has deemed the above-referenced application complete, as of August 24, 2017.

If you have any questions concerning this letter, please feel free to contact me at (860) 418-7035.

Sincerely,

Jessica Rival
Digitally signed by Jessica Rival
Date: 2017.08.24 14:34:32 -04'00'

Jessica Rival
CCT-Health Care Analyst

Phone: (860) 418-7001 • Fax: (860) 418-7053
410 Capitol Avenue, P.O. Box 340308
Hartford, Connecticut 06134-0308
www.ct.gov/dph
Affirmative Action/Equal Opportunity Employer

Olejarz, Barbara

From: Jennifer Groves Fusco <jfusco@uks.com>
Sent: Thursday, August 24, 2017 2:45 PM
To: Rival, Jessica; Diane.heelan@scasurgery.com
Cc: Mitchell, Micheala; Carney, Brian; Riggott, Kaila; Olejarz, Barbara
Subject: RE: 17-32176-CON notification of application deemed complete

Follow Up Flag: Follow up
Flag Status: Completed

Received, thank you Jessica.

From: Rival, Jessica [mailto:Jessica.Rival@ct.gov]
Sent: Thursday, August 24, 2017 2:38 PM
To: Diane.heelan@scasurgery.com; Jennifer Groves Fusco
Cc: Mitchell, Micheala; Carney, Brian; Riggott, Kaila; Olejarz, Barbara
Subject: 17-32176-CON notification of application deemed complete

Good afternoon Ms. Heelan and Attorney Fusco,

On August 24, 2017, OHCA deemed complete Western Connecticut Orthopedic Surgical Center, LLC's and SCA-Western Connecticut, LLC's, application seeking authorization to transfer 11% of the membership interest of Western Connecticut Orthopedic Surgical Center, LLC. to SCA-Western Connecticut, LLC; Docket Number: 17-32176-CON. Attached you will find a Word document and a PDF of your letter of notification. Please confirm your receipt of this e-mail at your earliest convenience.

Thank you,

Jessica Rival
CCT Health Care Analyst
Office of Health Care Access
Connecticut Department of Public Health
410 Capitol Avenue MS#13HCA
Hartford, CT 06134
Phone: 860-418-7035
Fax: 860-418-7053
http://www/ct.gov/ohca

immediately and permanently delete and/or destroy the original and any copies or printouts of this message. Thank you. Updike, Kelly & Spellacy, P.C.

STATE OF CONNECTICUT
DEPARTMENT OF PUBLIC HEALTH

Raul Pino, M.D., M.P.H.
Commissioner

Dannel P. Malloy
Governor

Nancy Wyman
Lt. Governor

Office of Health Care Access

Certificate of Need
Final Decision

Applicants: **Western Connecticut Orthopedic Surgical Center, LLC**
226 White St.
Danbury, CT 06810

SCA-Western Connecticut, LLC
569 Brookwood Village
Suite 901
Birmingham, AL 35209

Docket Number: **17-32176-CON**

Project Title: **Transfer 11% ownership interest of Western Connecticut Orthopedic Surgical Center, LLC to SCA-Western Connecticut, LLC.**

Project Description: Western Connecticut Orthopedic Surgical Center, LLC and SCA-Western Connecticut, LLC, herein collectively referred to as the "Applicants," seek authorization to transfer an 11% ownership interest in Western Connecticut Orthopedic Surgical Center, LLC to SCA-Western Connecticut, LLC, an affiliate of Surgical Care Affiliates, LLC and United Health Group Inc.

Procedural History: The Applicants published notice of their intent to file a Certificate of Need ("CON") application in *The News Times* (Danbury) on June 1, 2 and 3, 2017. On June 29, 2017, the Office of Health Care Access ("OHCA") received the CON application from the Applicants for the above-referenced project and deemed the application complete on August 24, 2017. OHCA received no responses from the public concerning the proposal and no hearing requests were received from the public per Connecticut General Statutes ("Conn. Gen. Stat.") § 19a-639a(e). Deputy Commissioner Addo considered the entire record in this matter.

Findings of Fact and Conclusions of Law

1. Western Connecticut Orthopedic Surgical Center, LLC (WCOSC) owns and operates Western Connecticut Orthopedic Surgical Center ("Surgery Center") located at 226 White Street in Danbury. Ex. A, p. 19

2. The Surgery Center is a single-specialty facility, with two operating rooms and one procedure room, which provides orthopedic ambulatory surgical services (includes spine and pain management spine cases). Ex. A, pp. 19, 22; Ex. C, p. 389

3. The Surgery Center's primary service area includes the towns of Danbury, New Milford, Newtown, Ridgefield, Brookfield, Bethel, Southbury and New Fairfield. Ex. A, p. 22

4. The Surgery Center initially operated as The Hand Center of Western Connecticut, LLC ("THC") and was physician-owned. Ex. A, p. 22

5. In June of 2012, OHCA determined (Docket No. 12-31754-DTR) that no CON was required to syndicate ownership of THC to an affiliate of Merritt Healthcare ("Merritt"). Until recently, a majority of WCOSC was owned by fourteen Connecticut-licensed physicians, with a minority stake held by Merritt, who managed the day-to-day operations of the Surgery Center. Ex. A, p. 22

6. In 2016, Merritt made a strategic decision to divest its interests and management role in certain outpatient surgery centers in Connecticut. Merritt and its physician partners believed that it was in the best interest of the Surgery Center to obtain a larger strategic partner, who could assist the facility through scale and resources, ultimately selecting SCA Western Connecticut, LLC (SCA-WCT) as the purchaser. Ex. A, p. 22

7. SCA-WCT is an affiliate of Surgical Care Affiliates ("SCA"), a subsidiary of United Health Group Incorporated's Optum business line. SCA operates more than 200 surgical facilities nationwide, including six in Connecticut.[1] Ex. A, p. 19-22

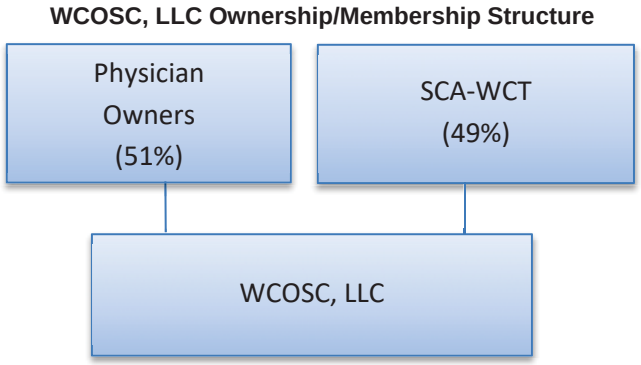
8. SCA and the Surgery Center's definitive agreement contemplated a two-phase transaction; the first phase included the minority acquisition by SCA-WCT and the initiation of SCA management services, while the second phase proposed the majority buy-up by SCA-WCT. Ex. A, p. 24

9. In May 2017, SCA-WCT acquired a 49% minority interest in the Surgery Center and assumed the day-to-day management of the facility. The remaining 51% of the Surgery Center is owned by fourteen physician owners. Ex. A, pp. 19, 22

[1] Connecticut Surgery Center in Hartford, Danbury Surgical Center in Danbury, River Valley Ambulatory Surgery Center in Norwich, Surgery Center of Fairfield County in Trumbull, Surgical Center of Connecticut in Bridgeport and Western Connecticut Orthopedic Surgical Center in Danbury.

10. With phase one complete, SCA-WCT is now seeking approval to acquire an additional 11% ownership interest in the Surgery Center[2], giving SCA-WCT a 60% controlling interest. Ex. A, p. 19

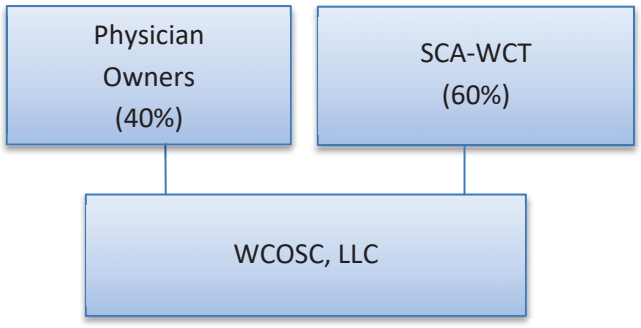
11. The current organization structure of WCOSC, LLC is reflected below:



Ex. A, p. 381

12. The Surgery Center is governed by a Board of Managers consisting of five members - four members of the Board were appointed by a majority of the Class A Members (i.e., physician owners) and one was appointed by SCA-WCT. Ex. A, p. 378

13. The post-transaction organization structure of WCOSC, LLC is reflected below:



Ex. A, p. 381

14. Post-closing, the Surgery Center will retain a five-member Board; however, SCA-WCT will appoint three members and the physician-owners will appoint two. Ex. A, p. 378

[2] SCA recently obtained the majority controlling interest at two Connecticut ambulatory surgery centers: the Surgical Center of Connecticut (Docket 17-32145-CON) in Bridgeport and at River Valley Ambulatory Surgery Center (Docket 17-32146-CON) in Norwich.

15. SCA-WCT's decision to acquire the majority interest (60%) in the Surgery Center will allow the Surgery Center to:
    - undertake joint managed care contracting for multiple facilities within a geographic area;
    - provide opportunities to participate in group purchasing and potentially lower cost; and
    - make additional equity available to attract future physician recruits.

    Ex. A, p. 22; Ex. C, p 385

16. In coordination with the proposal, SCA plans to conduct clinical onboarding with the Surgery Center's clinical team. Focused instructional time will be dedicated to infection control, life safety regulations (i.e., set by the American Society for Healthcare Engineering) and medication management. Ex. A, p. 30

17. The proposal will help enhance the Surgery Center's ability to:
    - track and improve quality measures through use of the clinical lead program;
    - utilize data and analytic platforms;
    - offer more competitive compensation packages;
    - recruit highly skilled, sought after physicians;
    - negotiate with payers for in-network contracts; and
    - participate in group purchasing organization ("GPO") cost savings.

    Ex. A, pp. 19, 23, 30

18. SCA's clinical lead program will provide the Surgery Center with an external resource to help target areas for quality improvement, prepare surveys and initiate clinical training on new quality rules and regulations. Ex. A, p. 30

19. Clinical leads have also introduced the SCA Quality Index to the Surgery Center, which benchmarks SCA's 200+ facilities against each other in the following areas:
    - CMS Ambulatory Surgery Center quality measures;
    - patient satisfaction;
    - accreditation status; and
    - CMS survey results.

    Ex. A, p. 30

20. In addition to meeting the Accreditation Association for Ambulatory Health Care ("AAAHC") requirements and achieving historically strong results in the state survey, the Surgery Center has targeted specific areas for improvement through focused quality initiatives. For example, the facility is currently conducting a QI study centered on improving Hand Hygiene. Ex. A, pp. 30, 343-347

21. SCA plans to implement a data analytics platform called Insight. This Tableau Software-based, proprietary toolset provides support for decision making at the physician, facility and market level and is based on clinical metrics, case profitability, physician recruitment and operational efficiencies (labor and cost). Ex. C, p. 385

22. In addition, SCA plans to transition the Surgery Center from a manual tracking and reporting system to Quantros, an electronic system measuring quality performance. The system allows anonymous entries and systematic tracking of incident reporting, along with subsequent corrective actions. Ex. A, p. 30

23. As a result of the enhanced recruitment ability, the Surgery Center has credentialed two new physicians in FY 2017; one, an orthopedic specialist and the other a pain management specialist. Further, five additional physician recruits are currently in the credentialing process, including two pain management specialists, two spine specialists and one orthopedic surgeon. Ex. C, p. 388

24. The Surgery Center recently expanded its in-network insurers by adding Cigna and Aetna and now participates with all major commercial payers, helping to reduce out-of-network charges for patients. Ex. A, p. 27; Ex. C, p. 386

25. No changes to the surgical services offered at the Surgery Center are planned by the Applicants. Ex. A, p. 28

26. The Applicants do not expect any change in the service area or the patient population served as a result of the proposal. Ex. A, p. 28

27. Historical utilization volumes are shown in the table below:

TABLE 1
HISTORICAL UTILIZATION BY SERVICE

	Actual Volume (surgical cases)			
Service	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017** Jan-Jun
Orthopedics	938	2,156	2,561	1,488
Pain Management	30	171	124	68
Spine	6	57	120	63
Total	**974**	**2,384**	**2,805**	**1,619**

Ex. A, p. 43; Ex. C, p. 388

28. The projected increase in FY 2017 volume is primarily the result of new physician recruitment and the continued ramp-up in volume from WCOSC's transition to an in-network provider for Cigna and Aetna. Volumes are projected to grow 1.5% in subsequent years, based on SCA's experience at other facilities in Connecticut and nationally. Ex. A, p. 35

TABLE 2
PROJECTED UTILIZATION BY SERVICE

	Projected Volume (surgical cases)			
Service	**FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**
Orthopedics	3,066	3,111	3.158	3,205
Pain Management	139	142	144	146
Spine	130	132	134	136
Total	**3,335**	**3,385**	**3,436**	**3,487**

Ex. A, p. 43

29. Currently, less than one percent of the Surgery Center's patient population is comprised of Medicaid patients. The proportion of commercial payers is expected to increase as a result of becoming a Cigna and Aetna in-network provider. Ex. A pp. 37, 44

TABLE 3
APPLICANT'S CURRENT & PROJECTED PAYER MIX

Payer	FY 2016		Projected							
			FY 2017		FY 2018		FY 2019		FY 2020	
	Surg. Proc.	%	Surg. Proc.	%	Surg. Proc.	%	Surg. Proc.	%	Surg. Proc.	%
Medicare*	619	22%	628	19%	638	19%	647	19%	657	19%
Medicaid*	8	<1%	8	<1%	8	<1%	9	<1%	9	<1%
CHAMPUS & TriCare	0	0%	0	0%	0	0%	0	0%	0	0%
Total Government	**627**	**22%**	**636**	**19%**	**646**	**19%**	**656**	**19%**	**666**	**19%**
Commercial Insurers	1,921	69%	2,438	74%	2,475	74%	2,512	74%	2,549	74%
Uninsured	13	0%	13	0%	13	0%	14	0%	14	0%
Self Pay	0	0%	0	0%	0	0%	0	0%	0	0%
Workers Compensation	244	9%	248	7%	251	7%	254	7%	258	7%
Total Non-Government	**2,178**	**78%**	**2,699**	**81%**	**2,739**	**81%**	**2,780**	**81%**	**2,821**	**81%**
Total Payer Mix	**2,805**	**100%**	**3,335**	**100%**	**3,385**	**100%**	**3,436**	**100%**	**3,487**	**100%**

*Includes managed care activity

Ex. A, p. 44

30. Despite low historical Medicaid volumes, the Surgery Center is a Medicaid participant and accepts all patients, regardless of payer source. Further, physician partners at all SCA facilities have a contractual duty to treat Medicaid beneficiaries in a non-discriminatory manner. Ex. C, p. 389

31. SCA's policy regarding financial hardships-charity discounts is currently being implemented at the Surgery Center. If the patient is not able to meet their financial obligation up front, a tailored plan is developed for their specific circumstances (e.g., payment ability, requested time period, financial hardships). Every effort is made to provide full transparency of patient cost prior to service. Ex. A, p. 32

32. SCA-WCT will finance its equity purchase (11% ownership interest) of $4,926,743 with available cash from operations. Ex. A, p. 34

33. WCOSC, LLC had income from operations of approximately $4.6 million in FY 2016. The Applicants project continued gains through FY 2020.

TABLE 4
WCOSC, LLC HISTORICAL/PROJECTED REVENUES AND EXPENSES

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Revenue from Operations	$11,655,771	$12,599,749	$12,788,745	12,980,576	13,175,285
Total Operating Expenses[1]	$7,075,766	$8,668,998	$8,799,033	$8,931,019	$8,064,984
Income/Loss from Operations	$4,580,005	$3,930,751	$3,989,712	$4,049,557	$4,110,301

[1]Operating expenses include salaries and fringe benefits, depreciation/amortization, supplies and drugs, lease expense and other operating expenses required to operate the surgery center and support the forecasted volumes.

Ex. A, p. 351

34. No incremental financial changes are expected as a result of the proposal; the projected increase in volume and patient revenue are the result of the initial SCA minority-interest purchase of the Surgery Center. Ex. A, p. 36

35. OHCA is currently in the process of establishing its policies and standards as regulations. Therefore, OHCA has not made any findings as to this proposal's relationship to any regulations not yet adopted by OHCA. (Conn. Gen. Stat. § 19a-639(a)(1))

36. This CON application is consistent with the Statewide Health Care Facilities and Service Plan. (Conn. Gen. Stat. § 19a-639(a)(2)) (Ex. A, p. 27)

37. The Applicants have established that there is a clear public need for the proposal. (Conn. Gen. Stat. § 19a-639(a)(3)) (Ex. A, pp. 27-28)

38. The Applicants have demonstrated that the proposal is financially feasible. (Conn. Gen. Stat. § 19a-639(a)(4)) (Ex. A, p. 351)

39. The Applicants have satisfactorily demonstrated that the proposal will improve quality, accessibility and the cost effectiveness of health care delivery in the region. (Conn. Gen. Stat.§ 19a-639(a)(5)) (Ex. A, pp.27, 30, 32, 343-347; Ex. C, pp 386, 388)

40. The Applicants have shown that there would be no significant change in the provision of health care services to the relevant populations and payer mix, including access to services by Medicaid recipients. (Conn. Gen. Stat. § 19a-639(a)(6)) (Ex. A, p. 44)

41. The Applicants have satisfactorily identified the population to be affected by this proposal. (Conn. Gen. Stat. § 19a-639(a)(7)) (Ex. A, pp. 22, 44)

42. The Applicants' historical provision of services in the service area supports this proposal. (Conn. Gen. Stat. § 19a-639(a)(8)) (Ex. A, p. 43)

43. The Applicants have satisfactorily demonstrated that this proposal would not result in an unnecessary duplication of existing services in the area. (Conn. Gen. Stat. § 19a-639(a)(9)) (Ex. A, pp. 19, 22)

44. The Applicants have demonstrated that there will be no reduction in access to services by Medicaid recipients or indigent persons. (Conn. Gen. Stat. § 19a-639(a)(10)) (Ex. A, pp. 32, 44; Ex. C, p. 389)

45. The Applicants have demonstrated that the proposal will not negatively impact the diversity of health care providers and patient choice in the region. (Conn. Gen. Stat. § 19a-639(a)(11)) (Ex. A, pp. 19, 22)

46. The Applicants have satisfactorily demonstrated that the proposal will not result in any consolidation that would affect health care costs or access to care. (Conn. Gen. Stat. § 19a-639(a)(12)) (Ex. A, pp. 22-23)

Discussion

CON applications are decided on a case by case basis and do not lend themselves to general applicability due to the uniqueness of the facts in each case. In rendering its decision, OHCA considers the factors set forth in § 19a-639(a) of the Statutes. The Applicants bear the burden of proof in this matter by a preponderance of the evidence. *Jones v. Connecticut Medical Examining Board, 309 Conn. 727 (2013).*

Western Connecticut Orthopedic Surgical Center ("Surgery Center") is a single-specialty outpatient surgical facility located in Danbury, Connecticut. The Surgery Center has two operating rooms and one procedure room, offering orthopedic surgery services (including spine and pain management). The Surgery Center is currently owned by SCA-Western, LLC (SCA-WCT), a subsidiary of SCA and fourteen physician-owners. The proposal requests authorization for SCA-WCT to acquire an additional 11% ownership interest in the Surgery Center to obtain a majority (60%) controlling interest. *FF1-FF2; FF9-FF10*

Among the benefits of the proposed acquisition is SCA's clinical lead program and the implementation of the Insight platform and Quantros, which will support quality of care initiatives. Further, the proposal will enhance access to care for patients, as the Surgery Center will participate as an "in-network" provider with all major commercial payers in Connecticut. No significant changes in the day-to-day operations or to the service area of the Surgery Center will occur as a result of this proposal. The Surgery Center will continue to serve both the Medicare and Medicaid patient populations. *FF16-FF22; FF24-FF26; FF30-FF31*

Additionally, the proposal will help lower patient costs by helping to remove financial barriers for patients who would otherwise incur out-of-network coverage to obtain surgical services. Further, the proposal will help sustain an existing outpatient surgical facility, where reimbursement rates are typically lower than hospital-based services. The Surgery Center will also benefit from financial synergies gained through its affiliation with other SCA surgical facilities, including their use of GPO and its improved ability to negotiate managed care contracts. Following the SCA-WCT majority interest acquisition, the Surgical Center will continue to generate operational gains and be in a better position to recruit physicians and potentially increase the size and scope of the facility. *FF24, FF15, FF17; FF33*

Notably, the Applicants have satisfactorily demonstrated that the proposed transaction was the result of a voluntary offer for sale. As a result, there is a presumption in favor of approving this application pursuant to Conn. Gen. Stat. § 19a-639(b).

Order

Based upon the foregoing Findings and Discussion, the Certificate of Need application requesting authorization to transfer an 11% ownership interest in WCOSC to SCA-WCT is hereby APPROVED.

All of the foregoing constitutes the final order of the Office of Health Care Access in this matter.

By Order of the
Department of Public Health
Office of Health Care Access

9/19/2017
Date

Yvonne T. Addo, MBA
Deputy Commissioner

Olejarz, Barbara

From: Microsoft Outlook
To: Diane.heelan@scasurgery.com; jfusco@uks.com
Sent: Tuesday, September 19, 2017 11:55 AM
Subject: Relayed: Final Decision

Delivery to these recipients or groups is complete, but no delivery notification was sent by the destination server:

Diane.heelan@scasurgery.com (Diane.heelan@scasurgery.com)

jfusco@uks.com (jfusco@uks.com)

Subject: Final Decision

Olejarz, Barbara

From: Jennifer Groves Fusco <jfusco@uks.com>
Sent: Tuesday, September 19, 2017 12:07 PM
To: Olejarz, Barbara; Diane.heelan@scasurgery.com
Subject: RE: Final Decision

Thanks, Barbara.

Jennifer Groves Fusco
Principal
Updike, Kelly & Spellacy , P.C .

Sent with BlackBerry Work
(www.blackberry.com)

From: Olejarz, Barbara <Barbara.Olejarz@ct.gov>
Date: Tuesday, Sep 19, 2017, 11:54 AM
To: Diane.heelan@scasurgery.com <Diane.heelan@scasurgery.com>, Jennifer Groves Fusco <jfusco@uks.com>
Subject: Final Decision

9/19/17

Please see attached final decision for the Transfer 11% ownership interest of Western Connecticut Orthopedic Surgical Center, LLC to SCA-Western Connecticut, LLC

Barbara K. Olejarz
Administrative Assistant to Kimberly Martone
Office of Health Care Access
Department of Public Health
Phone: (860) 418-7005
Email: Barbara.Olejarz@ct.gov