



**STATE OF CONNECTICUT**  
DEPARTMENT OF PUBLIC HEALTH  
*Office of Health Care Access*

December 26, 2013

**IN THE MATTER OF:**

An Application for a Certificate of Need  
filed Pursuant to Section 19a-638, C.G.S. by:

Notice of Agreed Settlement  
Office of Health Care Access  
Docket Number: 13-31832-CON

**Norwalk Health Services Corporation and  
Western Connecticut Health Network,  
Inc.**

**Affiliation of Norwalk Health Services  
Corporation with Western Connecticut  
Health Network, Inc.**

To: Patricia A. Gerner, Esq.  
The Law Office of Patricia A. Gerner  
240 Ramstein Road  
New Hartford, CT 06057

Dear Attorney Gerner:

This letter will serve as notice of the approved Certificate of Need Application in the above-referenced matter. On December 26, 2013, the Agreed Settlement, attached hereto, was adopted and issued as an Order by the Department of Public Health, Office of Health Care Access.

*Karen Roberts for Kimberly Martone*

Kimberly R. Martone  
Director of Operations

Enclosure  
KRM:swl

*An Equal Opportunity Provider*

*(If you require aid/accommodation to participate fully and fairly, contact us either by phone, fax or email)*  
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**Department of Public Health  
Office of Health Care Access  
Certificate of Need Application**

**Agreed Settlement**

**Applicants:** Norwalk Health Services Corporation  
34 Maple Street, Norwalk, CT 06850

Western Connecticut Health Network, Inc.  
24 Hospital Avenue, Danbury, CT 06810

**Docket Number:** 13-31832-CON

**Project Title:** Affiliation of Norwalk Health Services Corporation with Western Connecticut Health Network, Inc.

**Project Description:** Western Connecticut Health Network, Inc. ("WCHN") and Norwalk Health Services Corporation ("NHSC") (herein referred to as "Applicants") propose that WCHN become NHSC's sole corporate member for the purpose of establishing a corporate affiliation, with no associated capital expenditure.

**Procedural History:** The Applicants published notice of their intent to file a CON application in The News Times (Danbury) on February 4, 5 and 6, 2013. On April 8, 2013, the Office of Health Care Access ("OHCA") received the Certificate of Need ("CON") application from the Applicants for the above-referenced project. On July 15, 2013, OHCA deemed the application complete.

On August 23, 2013, the Applicants were notified of the date, time, and place of the public hearing. On August 29, 2013, a notice to the public announcing the hearing was published in The Hour (Norwalk). Thereafter, pursuant to Connecticut General Statutes ("Conn. Gen. Stat.") § 19a-639a, a public hearing regarding the CON application was held on September 10, 2013.

Commissioner Jewel Mullen designated Attorney Kevin Hansted as the hearing officer in this matter. The hearing was conducted in accordance with the provisions of the Uniform Administrative Procedure Act (Chapter 54 of the General Statutes) and Conn. Gen. Stat. § 19a-

639a. The public hearing record was closed on September 25, 2013. Deputy Commissioner Davis considered the entire record in this matter.

To the extent the findings of fact actually represent conclusions of law, they should be so considered, and vice versa. *SAS Inst., Inc., v. S & H Computer Systems, Inc.*, 605 F.Supp. 816 (Md. Tenn. 1985).

## Findings of Fact

1. Western Connecticut Health Network, Inc. ("WCHN") is the parent corporation of Danbury Hospital, New Milford Hospital and other affiliated entities. Ex. A, p. 9.
2. Norwalk Health Services Corporation ("NHSC") is the parent corporation of Norwalk Hospital and other affiliated entities. Ex. A, p. 9.
3. Danbury Hospital, located at 20 Hospital Avenue in Danbury, is licensed for 345 beds and 26 bassinets. New Milford Hospital, located at 21 Elm Street in New Milford, is licensed for 85 beds. Ex. A, p. 10.
4. Norwalk Hospital is licensed for 328 beds and 38 bassinets. Ex. A, p. 10.
5. Under this proposal, WCHN will join NHSC for the purpose of effectuating a corporate affiliation and a new entity, New WCHN, will be formed. Ex. A, p. 9.
6. New WCHN will be the sole corporate member of NHSC. A reconstituted 18-member single board of directors will govern the new organization. Eleven board members will be appointed from the current WCHN and seven members will be appointed from the current NHSC. Ex. A, p. 9.
7. New WCHN will have rights with regard to governance, operating and capital budgets and strategic planning for NHSC, Danbury Hospital, New Milford Hospital and all other WCHN related entities. Ex. A, p. 9.
8. NHSC's primary service area includes Norwalk, Westport, New Canaan, Wilton and Weston. The secondary service area includes the towns of Darien, Fairfield, Redding and Ridgefield. Ex. A, p. 13.
9. WCHN's primary service area includes the towns of Bethel, Bridgewater, Brookfield, Danbury, Kent, New Fairfield, New Milford, Newtown, Redding, Ridgefield, Roxbury, Sherman and Washington, and the New York towns of Brewster, Dover Plains, Patterson, Pawling, and Wingdale. Ex. A, p. 13.

10. The Applicants represented that they are facing multiple challenges including declining reimbursement and inpatient volume, and the mandates of the 2010 Patient Protection and Affordable Care Act (“ACA”), requiring investments in quality assessment, physician integration, population health management and electronic health records. Ex. A, p. 9.
11. Affiliating with another hospital system will allow the Applicants an opportunity to collaborate and cooperate in order to improve and enhance the quality of care provided to the patients and meet the increasing demands of the health care environment. Ex. A, p. 9.
12. According to the Applicants, as the health care system transforms to meet the requirements and mandates of the ACA, remaining a stand-alone hospital will become unsustainable. Hearing Transcript, p. 8, Mr. Erv Shames, Chairman of the Board of Trustees of Norwalk Health Services
13. In November 2008, the NHSC Board of Trustees and senior management began exploring the strategies and tactics that would be needed to ensure the long-term success of NHSC. Elements identified as essential to long-term viability included improved access to capital markets, support for physician recruitment/retention, clinical service development and better use of scarce community resources. Ex. A, p. 11.
14. In early 2009, Norwalk Hospital engaged Navigant Consulting, Inc. for an assessment of partnership options as one opportunity to ensure the continued strength and viability of the hospital. A Partnership Task Force consisting of Board members and senior management (the “Partnership Task Force”) identified potential scenarios for further exploration and key drivers to be considered in a potential partner. Ex. A, p. 11.
15. During the same period, NHSC was developing Vision 2015, a strategic plan identifying the long-term strategic priorities for the Hospital. These priorities included improving patient safety, satisfaction and quality outcomes, developing physician partnerships and integration, and the continued growth and development of hospital facilities and programs. Ex. A, p. 11.
16. As a result of this process, WCHN emerged as the most appropriate partner that would allow NHSC to achieve its goals. Ex. A, p. 11.
17. The Partnership Task Force identified new emerging payment models as an area of great concern. WCHN has already begun a process to create expertise in the development of an accountable care organization (“ACO”), and will collaborate on best practices and proven protocols to improve quality and outcomes for patients across the continuum. Hearing Transcript, pp. 12-13, Mr. Daniel DeBarba, President of Norwalk Hospital and Norwalk Health Services
18. The proposed affiliation of NHSC and WCHN is intended to meet these costly and difficult challenges while strengthening the quality of, and access to health care in western Connecticut. Ex. A, p. 9.

19. The creation of New WCHN is expected to result in efficient and streamlined operations, and enhanced education and research opportunities. Ex. A, p. 9.
20. A 2012 Greater Norwalk Area Community Health Assessment and Improvements Initiative examined the health needs of the Greater Norwalk community and found that the Norwalk community is concerned about the issues of chronic disease resulting from being overweight and obese and the limited services for treatment of substance abuse, as well as mental health services. Hearing Transcript, p. 8, Mr. Erv Shames, Chairman of the Board of Trustees of Norwalk Health Services
21. Norwalk Hospital has a community care team that meets weekly to evaluate the community substance abuse and behavioral health issues and attempts to provide a wraparound service to decrease inpatient/outpatient admissions to the Hospital. Another Norwalk Hospital initiative involves working with local community schools to encourage physical activities such as walking to school and gets the children's families to help decrease body mass index among school-age children. Hearing Transcript, pp. 41-42, Ms. Mary Franco, Vice President of Public Affairs, Norwalk Hospital
22. The Applicants provided examples of WCHN's responsiveness to community needs, where Danbury Hospital sent a team out to address an individual's urgent behavioral health needs rather than waiting for the patient to be admitted first. The Applicants state they would examine what outreach efforts are most successful and try to replicate them in the communities they serve. Hearing Transcript, p. 43, Dr. John Murphy, President and CEO of Western Connecticut Health Network
23. The Applicants identified the following as benefits of the proposed affiliation:
  - a) Strengthening clinical programs to demonstrate quality outcomes and to improve access to health care, which can be done more economically with two cooperating systems rather than two stand-alone organizations;
  - b) Enhancing educational programs, including strengthened programs for medical students, residents and fellows in both organizations;
  - c) Strengthening the physician platform for delivery of care;
  - d) Building competencies required for new reimbursement models, such as population health management, bundled payments, Physician Hospital Organization ("PHO") and ACOs;
  - e) Integrating operations to achieve savings and create a unified operating model; and
  - f) Improving access to and/or reducing cost of capital due to system scale and performance. Hearing Transcript, pp. 14-15, Mr. Daniel DeBarba, President of Norwalk Hospital and Norwalk Health Services Corporation, Ex. A, p. 12
24. According to the Applicants, the affiliation will improve health care services by strengthening the clinical platforms so that physicians can succeed, and establishing quality standards to produce best practice outcomes across the single new network. It will then be possible to attract the needed physicians in order to provide greater access to

those requiring health care services. Access within one system of care for the residents living in the service area of the new network will provide patients with greater continuity of care. Ex. A, p. 16.

25. The proposed affiliation will create a larger physician platform that will allow the unified system to deepen its primary care base for improved patient access, in addition to building specific clinical programs, and allow WCHN to more effectively recruit primary care physicians and specialists. Ex. A, p. 17.
26. In 2012, Norwalk Hospital conducted a physician resources assessment, which identified significant shortages of primary care providers in its service area. As a result, they implemented a physician recruitment and integration plan and added several new practitioners to the service area. Hearing Transcript, p. 15, Mr. Daniel DeBarba, President of Norwalk Hospital and Norwalk Health Services Corporation.
27. WCHN has made significant investments in physician recruitment and integration, including the development of a PHO. With the approval of this affiliation, Norwalk Hospital and its physicians will be able to join the PHO, and the resulting network will have more scale and resources to invest in developing the primary care infrastructure, thereby increasing access. Hearing Transcript, p. 15, Mr. Daniel DeBarba, President of Norwalk Hospital and Norwalk Health Services Corporation.
28. The proposed affiliation will create a network-wide physician platform that includes over 800 independent and over 300 employed physicians. Hearing Transcript, p. 15, Mr. Daniel DeBarba, President of Norwalk Hospital and Norwalk Health Services Corporation.
29. No disruption to or curtailment of clinical services is anticipated. The opportunities created by this affiliation will be in the form of expansion of some services, where needed, and in shared service personnel so that both entities can continue to provide the wide range of services now being offered. Ex. A, p. 13.
30. NHSC revenues have exceeded expenses in each of the last four fiscal years. WCHN has reported revenues in excess of expenses in three of the last four fiscal years.

**Table 1: Applicants' Actual Excess/(Deficiency) of Revenue Over Expenses**

Description	FY 2009	FY 2010	FY 2011	FY 2012
<b>Norwalk Health Services Corp.</b>	\$12,643,049	\$1,777,613	\$11,598,207	\$26,355,112
<b>Western Connecticut Health Network, Inc.</b>	\$38,139,570	\$38,758,693	(\$2,807,169)	\$42,512,453

Source: Hospital Reporting System Report 385 – Parent Corporation Consolidated Financial Data Analysis for FYs 2009-2012, respectively.

31. NHSC reported unrestricted assets of \$147.6 million in FY 2012; WCHN reported \$277.1 million.

**Table 2: Applicants' Unrestricted Net Assets**

Description	FY 2009	FY 2010	FY 2011	FY 2012
<b>Norwalk Health Services Corp.</b>	\$145,071,590	\$138,968,662	\$126,940,368	\$147,589,726
<b>Western Connecticut Health Network, Inc.</b>	\$183,488,285	\$244,887,741	\$286,369,831	\$277,089,185

Source: Hospital Reporting System Report 385 – Parent Corporation Consolidated Financial Data Analysis for FYs 2009-2012, respectively.

32. As a result of the proposal's cost savings, NHSC projects revenues in excess of expenses of approximately \$720,000 in FY 2014, \$3.4 million ("M") in FY 2015 and \$6.6M in FY 2016. WCHN projects revenues in excess of expenses of approximately \$1.4M in FY 2014, \$6.5M in FY 2015, and \$12.5M in FY 2016.

**Table 3: Financial Projections Incremental to the Proposal for NHSC**

Description	FY 2013	FY 2014	FY 2015	FY 2016
Incremental Op. Revenue	\$0	\$0	\$0	\$0
Incremental Op. Expenses	\$0	(\$720,000)	(\$3,420,000)	(\$6,590,000)
Incremental Gain (Loss)	\$0	\$720,000	\$3,420,000	\$6,590,000
Incremental Non-Op. Revenue	\$0	\$0	\$0	\$0
Rev. Over/(Under) Expense	\$0	\$720,000	\$3,420,000	\$6,590,000

Assumes that the proposed affiliation will occur in the last quarter of FY 2013.  
 Fiscal years 2014 through 2016 represent the first three full years of the proposed affiliation.  
 Financial Attachment I; p. 196

**Table 4: Financial Projections Incremental to the Proposal for WCHN**

Description	FY 2013	FY 2014	FY 2015	FY 2016
Incremental Revenue	\$0	\$0	\$0	\$0
Incremental Expenses	\$0	(\$1,375,000)	(\$6,483,000)	(\$12,508,000)
Incremental Gain (Loss)	\$0	\$1,375,000	\$6,483,000	\$12,508,000
Incremental Non-Op. Revenue	\$0	\$0	\$0	\$0
Rev. Over/(Under) Expense	\$0	\$1,375,000	\$6,483,000	\$12,508,000

Assumes that the proposed affiliation will occur in the last quarter of FY 2013.  
 Fiscal years 2014 through 2016 represent the first three full years of the proposed affiliation.  
 Financial Attachment I; p. 197

33. Assumptions made for NHSC and WCHN's financial projections were developed by the management of the two entities based on their industry experience which were validated by outside consultants and are as follows:

- a. Salaries and fringe benefits include 3% annual inflation increases decreasing to 2% by FY 2016 for Norwalk Hospital while Danbury Hospital includes 2.5% inflation increases adjusted for changes in FTE's;
- b. Supplies and drugs will have a 3% annual increase;

- c. Professional services increase 2% a year based on inflation;
  - d. Lease expense will have a 2% annual inflation increase;
  - e. Interest expense is the interest on existing debt;
  - f. Depreciation and amortization is based on annual capital expenditures inclusive of a new tower at Danbury Hospital and Ambulatory Care Pavilion at Norwalk Hospital; and
  - g. Other operating expenses were assumed to be flat but were adjusted for improvements related to expense management initiatives.
- Exhibit, A. pp. 200, 201 and 219

34. No change in WCHN's payor/population mix is projected as a result of this proposal. WCHN's current payor/population mix and three year projected population mix with the CON proposal is as follows:

**Table 5: Current and Three-Year Projected Population Mix with the CON Proposal**

WCHN	2012	2013	2014	2015
	Current Payer Mix	Projected Payer Mix	Projected Payer Mix	Projected Payer Mix
Medicare	44.8%	44.8%	44.8%	44.8%
Medicaid	16.6%	16.6%	16.6%	16.6%
TRICARE and CHAMPUS	0.2%	0.2%	0.2%	0.2%
<b>Total Government</b>	<b>61.6%</b>	<b>61.6%</b>	<b>61.6%</b>	<b>61.6%</b>
Commercial Insurers	36.7%	36.7%	36.7%	36.7%
Uninsured	1.2%	1.2%	1.2%	1.2%
Workers Compensation	0.5%	0.5%	0.5%	0.5%
<b>Total Non-Government</b>	<b>38.4%</b>	<b>38.4%</b>	<b>38.4%</b>	<b>38.4%</b>
<b>Total Population Mix</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Table 5 represents inpatient discharges from Danbury Hospital and New Milford Hospital. Ex. A. p. 20.



35. No change in the NHSC's payor/population mix is projected as a result of this proposal. NHSC's current payor/population mix and three year projected population mix with the CON proposal is as follows:

**Table 6: Current and Three-Year Projected Population Mix with the CON Proposal**

NHSC	2012	2013	2014	2015
	Current Payer Mix	Projected Payer Mix	Projected Payer Mix	Projected Payer Mix
Medicare	41.0%	41.0%	41.0%	41.0%
Medicaid	20.0%	20.0%	20.0%	20.0%
TRICARE and CHAMPUS	0.1%	0.1%	0.1%	0.1%
<b>Total Government</b>	<b>61.1%</b>	<b>61.1%</b>	<b>61.1%</b>	<b>61.1%</b>
Commercial Insurers	36.8%	36.8%	36.8%	36.8%
Uninsured	1.8%	1.8%	1.8%	1.8%
Workers Compensation	0.3%	0.3%	0.3%	0.3%
<b>Total Non-Government</b>	<b>38.9%</b>	<b>38.9%</b>	<b>38.9%</b>	<b>38.9%</b>
<b>Total Population Mix</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Table 6 represents inpatient discharges from Norwalk Hospital. Ex. A, p. 20.

36. Norwalk Hospital's net revenue is not expected to increase as a result of this proposal. Norwalk Hospital's expenses are expected to decrease in FYs 2014-2016. These savings are largely due to decreases in salaries and wages (\$4.3M), fringe benefits (\$2.2M) and supply and drug costs (\$1.6M).

**Table 7: Norwalk Hospital's Projected Cost Savings**

Area	FY 2014	FY 2015	FY 2016
Net Revenue	\$0	\$0	\$0
Salaries & Wages	\$666,000	\$1,418,000	\$2,246,000
Fringe Benefits	\$343,000	\$730,000	\$1,157,000
Supplies & Drugs	\$228,000	\$528,000	\$821,000
Business Exp & Other Operating	\$(819,000)	\$299,000	\$1,773,000
<b>Net Total Savings</b>	<b>\$418,000</b>	<b>\$2,974,000</b>	<b>\$5,997,000</b>

Ex. A, p. 227.

37. Danbury Hospital's net revenue is not expected to increase as a result of this proposal. Danbury Hospital's expenses are expected to decrease in FYs 2014-2016. These savings are largely due to decreases in salaries and fringe benefits (\$12.4M) and supply and drug costs (\$3.0M).

**Table 8: Danbury Hospital's Projected Cost Savings**

Area	FY 2014	FY 2015	FY 2016
Net Revenue	\$0	\$0	\$0
Salaries & Fringe Benefits	\$1,929,000	\$4,084,000	\$6,465,000
Supplies & Drugs	\$462,000	\$977,000	\$1,547,000
Business Exp & Other Operating	\$(1,556,000)	\$586,000	\$3,367,000
<b>Net Total Savings</b>	<b>\$835,000</b>	<b>\$5,647,000</b>	<b>\$11,379,000</b>

Ex. A, p. 649.

38. The Applicants are expecting the following savings for NHSC and WCHN:

**Table 9: Forecasted Expense Savings**

	FY 2014	FY 2015	FY 2016
Salaries and Fringe Benefits	\$3,428,000	\$6,987,000	\$10,891,000
Supplies and Drugs	\$818,000	\$1,675,000	\$2,606,000
Other Operating Expense (Costs)*	\$(2,151,000)	\$1,241,000	\$5,601,000
<b>Total Savings</b>	<b>\$2,095,000</b>	<b>\$9,903,000</b>	<b>\$19,098,000</b>

\*Other operating expenses are costs associated with the affiliation for items such as legal fees, consulting and marketing.

Financial Attachment I, pp. 196 and 197

39. The Applicants expect the combined entities' scale will provide the ability to negotiate lower prices on goods and services. The specific line item savings have not been identified but savings are expected in the following areas: med/surg supplies, food services, waste management and maintenance contracts. Ex. A, p. 223
40. The Chartis Group, a consulting firm engaged by the Applicants, expects that FTEs can be reduced and personnel savings can be achieved through centralization of roles and functions and through standardization of policies and procedures. Ex. A, pp. 218;223
41. 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 policies and standards not yet adopted as regulations by OHCA. (Conn. Gen. Stat. § 19a-639(a)(1))
42. This CON application is consistent with the overall goals of the Statewide Health Care Facilities and Services Plan. (Conn. Gen. Stat. § 19a-639(a)(2))

43. The Applicants have established that there is a clear public need for their proposal. (Conn. Gen. Stat. § 19a-639(a)(3))
44. The Applicants have satisfactorily demonstrated that the proposal is financially feasible. (Conn. Gen. Stat. § 19a-639(a)(4))
45. The Applicants have satisfactorily demonstrated that the proposal would improve quality, accessibility and cost effectiveness of health care delivery in the region. (Conn. Gen. Stat. § 19a-639(a)(5))
46. The Applicants have shown that there would be no significant change to the provision of health care services to the relevant populations and payer mix. (Conn. Gen. Stat. § 19a-639(a)(6))
47. The Applicants have satisfactorily identified the population to be served by the proposal, and have satisfactorily demonstrated that this population has a need as proposed. (Conn. Gen. Stat. § 19a-639(a)(7))
48. The historical utilization of health care facilities and services in the service area supports this proposal. (Conn. Gen. Stat. § 19a-639(a)(8))
49. The Applicants have satisfactorily demonstrated that the proposal would not result in an unnecessary duplication of existing health care facilities or services in the area. (Conn. Gen. Stat. § 19a-639(a)(9))

## 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 General Statutes § 19a-639(a). The Applicant bears the burden of proof in this matter by a preponderance of the evidence. *Jones v. Connecticut Medical Examining Board*, 309 Conn. 727 (2013).

Norwalk Health Services Corporation (“NHSC”), the parent corporation of Norwalk Hospital (“the Hospital”) is proposing to have Western Connecticut Health Network (“WCHN”), the parent corporation of Danbury Hospital and New Milford Hospital, join NHSC for the purpose of establishing a corporate affiliation and a new entity, New WCHN, will be formed. New WCHN will be the sole corporate member of NHSC. A reconstituted 18-member single board of directors will govern the new organization. Eleven board members will be appointed from the current WCHN and seven members will be appointed from the current NHSC. *Finding of Fact (FF)1-6*. New WCHN will have rights with respect to Norwalk Hospital’s governance, financial matters and strategic planning. *FF7* The proposal is aimed at increasing access to care, improving the quality of care and controlling costs. The proposal is the result of NHSC’s identified need for a partnership, essential to the strength and long term viability of the Hospital. *FF10-18*

NHSC’s primary and secondary service areas include the towns of Norwalk, Westport, New Canaan, Wilton, Weston, Darien, Fairfield, Redding and Ridgefield. *FF8* WCHN’s primary service area includes the Connecticut towns of Bethel, Bridgewater, Brookfield, Danbury, Kent, New Fairfield, New Milford, Newtown, Redding, Ridgefield, Roxbury, Sherman and Washington as well as five New York towns. *FF9* This proposal will not adversely affect these towns’ populations, as no changes to clinical services are anticipated. *FF29* Rather, the proposal will strengthen the ability of Norwalk Hospital to better serve these residents in the future. Opportunities will be created by this affiliation in the form of expansion of some services, where needed, and in shared service personnel so that both entities can continue to provide the wide range of services now being offered. There will be no change to the patient payor mix. *FF34-35*

The Applicants view the proposed affiliation as an opportunity to collaborate and cooperate in order to strengthen clinical programs and improve and enhance the quality of care provided to patients. *FF 18, 25, 28-29* The affiliation is expected to result in enhanced education and research opportunities for medical students, residents and fellows. It is also anticipated that the breadth and scope of the affiliation will improve the ability to attract and retain an adequate workforce, including needed primary care and specialty physicians, thus strengthening the delivery of care and providing greater access to and continuity of care within one system. *FF23* This proposal will allow Norwalk Hospital’s physicians to join WCHN’s existing Physician Hospital Organization (PHO), and the resulting network will have more scale and resources to invest in developing the primary care infrastructure, thereby increasing access. The proposed affiliation will also create a network-wide physician platform that includes over 800 independent and over 300 employed physicians. *FF27-28*.

Furthermore, the Applicants indicate that the proposed affiliation will assist them in meeting the increasing demands of the current health care environment by building competencies necessary for new reimbursement models. *FF11, 24* WCHN has already begun a process to create expertise in the development of an accountable care organization (ACO), and is exploring collaboration on best practices and protocols to improve quality and outcomes for patients across the continuum. *FF17* The affiliation is also expected to result in more efficient, streamlined operations. *FF19*

Both NHSC and WCHN have developed community health needs assessments in collaboration with their respective communities and provide outreach directly in the community. For example, NHSC has a program in place through the hospital, in partnership with 20 plus other entities in the Norwalk area, which involves a community care team to regularly provide wraparound behavioral health and substance abuse services. *FF20-22* WCHN has provided similar individualized behavioral health outreach in the community. The Applicants will examine what is most successful and try to replicate it in the communities they serve. *FF22*

Neither WCHN nor Norwalk Hospital's net revenue is expected to change after the affiliation. However, Norwalk Hospital's expenses are expected to decrease \$720,000 in FY 2014, \$3.4 million in FY 2015 and \$6.6 million in FY 2016. These savings are largely due to decreases in salaries and benefits (\$7.4m) and supply and drug costs (\$1.8m). The Applicants are projecting combined expense savings of \$2.1 million in 2014, \$9.9 million in 2015 and \$19.1 million in 2016. *FF36-40*

Based on the foregoing, OHCA finds that the proposal will improve access to and the quality of health care services in the Applicants' service areas through an enhanced workforce, broadened physician platform, strengthened clinical programs, shared best practices and protocols, improved continuity of care and more efficient integrated operations through shared resources and economies of scale. This will be accomplished by having two relatively financially strong health systems collaborate at both the clinical and administrative level. The Applicants have demonstrated that there is a need for the proposed affiliation as the quality, accessibility and cost effectiveness of health care delivery in the Applicants' service areas will be improved.

As the Applicants have represented that specific service integration and cost savings will occur as a result of the proposed affiliation, OHCA has set forth certain conditions in the attached Order.

## Order

**NOW, THEREFORE**, the Department of Public Health, Office of Health Care Access (“OHCA”), Western Connecticut Health Network, Inc. and Norwalk Health Services Corporation (Western Connecticut Health Network, Inc. and Norwalk Health Services Corporation are herein collectively referred to as the “Applicants”) hereby stipulate and agree to the terms of settlement with respect to the Applicants’ request to establish an affiliation as follows:

1. The request of the Applicants to have Western Connecticut Health Network, Inc. join Norwalk Health Services Corporation for the purpose of establishing a corporate affiliation is hereby approved.
2. Within sixty (60) days of the closing date, the Applicants shall file with OHCA a complete, non-redacted copy of any and all signed, dated and completed final affiliation agreement documents, including attachments. The non-redacted documents will be entered as part of the permanent record in this proceeding.
3. On an annual basis, for two (2) years from the date of execution of this Agreed Settlement, the Applicants must report to OHCA how the benefits/cost savings enumerated in Findings of Fact 23 and 36-38 have been achieved and within sixty (60) days of all the benefits/savings having been accounted for, the Applicants shall provide a final summary enumerating all aforementioned benefits/cost savings.
4. The Applicants agree to submit to OHCA, no later than March 31, 2014, a detailed and comprehensive document showing the plan to integrate the operations of both parent corporations and attain the cost savings stated within the CON Application. At a minimum, the submission shall address anticipated cost savings, staffing and quality improvements. Subsequent to the submission of the plan, the Applicants shall file additional information, as set forth below, on a semi-annual basis, for a period of three (3) years for both NHSC and its affiliate, Norwalk Hospital. For purposes of the Order, semi-annual periods are October 1–March 31 and April 1–September 30. The required information is due no later than two (2) months after the end of each semi-annual period. Due dates are May 31, 2014, November 30, 2014, May 31, 2015, November 30, 2015, May 31, 2016, and November 30, 2016. The Applicants shall submit the following on a semi-annual basis:
  - a. The Applicants agree to file narrative updates on the progress of the implementation of the plan.
  - b. The Applicants shall report cost saving totals of the affiliation for both Norwalk Health Services Corporation and its affiliate, Norwalk Hospital, for the following Operating Expense Categories: Salaries and Wages, Fringe Benefits, Contractual Labor Fees, Medical Supplies and Pharmaceutical Costs, Depreciation and Amortization, Interest Expense, Malpractice Expense, Utilities, Business Expenses and Other Operating Expenses. The categories shall be consistent with the major

operating expense categories (Categories A,B,C,D,E,G,H,I,J, and K) which are in use at the time of reporting in the OHCA Hospital Reporting System ("HRS") Report 175 or successor report. Norwalk Health Services Corporation shall also file a narrative describing the specifics of the cost savings for each of these major expense categories.

- c. The Applicants shall file a completed Statement of Operations for both Norwalk Health Services Corporation and its affiliate, Norwalk Hospital. The format shall be consistent with HRS Reports 350/150, or successor reports.
  - d. The Applicants shall file a completed Balance Sheet for both Norwalk Health Services Corporation and its affiliate, Norwalk Hospital. The format shall be consistent with HRS Reports 300/100, or successor reports.
5. The Applicants shall obtain CON authorization prior to any merger of Norwalk Hospital with any entities controlled by Western Connecticut Health Network.
  6. The Applicants shall obtain CON authorization prior to terminating any inpatient or outpatient services at Norwalk Hospital.
  7. OHCA and the Applicants agree that this Agreed Settlement represents a final agreement between OHCA and the Applicants with respect to this request. The signing of this Agreed Settlement resolves all objections, claims, and disputes that may have been raised by the Applicants with regard to Docket Number: 13-31832-CON.
  8. This Agreed Settlement is an order of the Office of Health Care Access with all the rights and obligations attendant thereto, and the Office of Health Care Access may enforce this Agreed Settlement pursuant to the provisions of Conn. Gen. Stat. §§ 19a-642 and 19a-653 at the Applicants' expense if the Applicants fail to comply with its terms.
  9. This Agreed Settlement shall inure to the benefit of and be binding upon the Office of Health Care Access and the Applicants, and their successors and assigns.

Signed by Daniel J DeBarba, President & CEO  
(Print name) (Title)

12/23/13  
Date

Daniel J DeBarba  
Duly Authorized for  
Norwalk Health Services Corporation

Signed by John M. Murphy M.D., President & CEO  
(Print name) (Title)

12/23/13  
Date

John M Murphy  
Duly Authorized for  
Western Connecticut Health Network

The above Agreed Settlement is hereby accepted and so ordered by the Office of Health Care  
Access on 12/24/13.

Lisa A Davis  
Lisa A. Davis, MBA, BSN, RN  
Deputy Commissioner