

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

July 10, 2012

IN THE MATTER OF:

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

**Community Mental Health Affiliates, Inc.
and Central Connecticut Health Alliance, Inc.**

Notice of Final Decision
Office of Health Care Access
Docket Number: 12-31750-CON

**Transfer Ownership/Change in Ownership
Control of Community Mental Health
Affiliates, Inc. from Central Connecticut
Health Alliance, Inc. to Community Mental
Health Affiliates, Inc.**

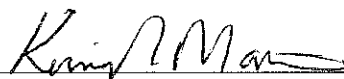
To:

Raymond J. Gorman
President and CEO
Community Mental Health Affiliates, Inc.
270 John Downey Drive
New Britain, CT 06051

Claudio Capone
Director of Planning
Central Connecticut Health Alliance, Inc.
100 Grand Street
New Britain, CT 06050

Dear Mr. Gorman & Mr. Capone:

This letter will serve as notice of the Final Decision of the Office of Health Care Access in the above matter, as provided by Section 19a-638, C.G.S. On July 10, 2012, the Final Decision was rendered as the finding and order of the Office of Health Care Access. A copy of the Final Decision is attached hereto for your information.



Kimberly R. Martone
Director of Operations

Enclosure
KRM:pf

STATE OF CONNECTICUT

DEPARTMENT OF PUBLIC HEALTH

Jewel Mullen, M.D., M.P.H., M.P.A.
Commissioner



Dannel P. Malloy
Governor
Nancy Wyman
Lt. Governor

Final Decision

Applicants: Community Mental Health Affiliates, Inc.
Central Connecticut Health Alliance, Inc.

Docket Number: 12-31750-CON

Project Title: Transfer Ownership/Change in Ownership Control of
Community Mental Health Affiliates, Inc. from Central
Connecticut Health Alliance, Inc. to Community Mental
Health Affiliates, Inc.

Project Description: Community Mental Health Affiliates, Inc. ("CMHA") and Central Connecticut Health Alliance, Inc. ("CCHA"), together herein referred to as the Applicants, are proposing to transfer the ownership and control of Community Mental Health Affiliates, Inc. from Central Connecticut Health Alliance, Inc. to Community Mental Health Affiliates, Inc., with no associated total capital expenditure.

Procedural History: On February 17, 2012, the Office of Health Care Access ("OHCA") received a Certificate of Need ("CON") application from CMHA for the above-referenced project. CMHA published notice of its intent to file the CON application in *The Journal Register*, on January 16, 17, and 18, 2012. On May 24, 2012, OHCA designated CCHA as a co-applicant on the proposed project. OHCA received no responses from the public concerning the proposal and no hearing requests were received from the public per General Statutes § 19a-639a (e).

Findings of Fact

1. Community Mental Health Affiliates, Inc. ("CMHA"), is a non-profit non stock section 501(c)(3) exempt organization that provides mental health services, outpatient psychiatric treatment for adults, substance abuse treatment and clinical and residential services for children at various locations in Connecticut. Ex. A, pp. 13, 14 & 28.
2. Central Connecticut Health Alliance, Inc. ("CCHA"), a tax-exempt, non-profit organization, is the parent corporation of The Hospital of Central Connecticut ("HCC") and CMHA. Ex. A, p. 28.



Phone: (860) 509-8000 • Fax: (860) 509-7184 • VP: (860) 899-1611
410 Capitol Avenue, P.O. Box 34038
Hartford, Connecticut 06134-0308
www.ct.gov/dph

Affirmative Action/Equal Opportunity Employer

3. On August 19, 1998, under Docket Number: 98-539, OHCA approved a CON granting the transfer of control of CMHA to CCHA in which CMHA became a wholly owned subsidiary of CCHA, with no associated capital expenditure. Ex. A, p. 28.
4. The Applicants now propose to transfer the ownership and control of CMHA from CCHA back to CMHA. Ex. A, p. 6.
5. CMHA indicates that the original intent of the Affiliation was for CMHA to become "the behavioral health arm" of the CCHA. Ex. A, pp. 6.
6. The Affiliation Agreement, agreed to by the respective Board of Directors of each party on June 18, 1996, articulated the following roles and benefits of the Affiliation of CMHA and CCHA:
 - CMHA will serve as the behavioral health arm of CCHA.
 - CMHA will represent behavioral health as a specialty within CCHA through its Board of Directors.
 - CMHA Executive Director will concurrently serve as the Director of Behavioral Health for CCHA.
 - CMHA and CCHA will jointly appoint a Chief of Psychiatry.
 - CCHA agrees to involve CMHA in all aspects of negotiating and/or contracting for behavioral health care.
 - CCHA will ensure a joint credentialing process and conflict resolution protocol.
 - CCHA would centralize managed care contracting at the Alliance level.
 - CMHA would have one seat on both the Bradley Memorial Hospital and the New Britain General Hospital Board of Directors.
 - Any future discussions towards contracting for joint ventures, merger or Affiliation with any entity that involves behavioral health services will include the Executive Director/Director of Behavioral Health or his designee(s) and the Chief of Psychiatry.Ex. A, p. 6.
7. Based on the representation and documents provided to OHCA by the applicants in the CON Application granted under Docket Number: 98-539-CON, it was projected there would be cost savings via group purchasing agreements and a continuous sharing of clinical, technological, management and financial expertise among all of the affiliates which would lead to efficiencies of operation. Ex. A, pp 7 & 28.
8. The activities and objectives related to roles, responsibilities, structure, and efficiencies that were noted in the Affiliation Agreement, the Letter of Intent, and the Certificate of Need Application granted under Docket Number: 98-539-CON, were never met. Ex. A, p. 7.
9. Approval of the CON at issue will benefit CMHA in the following ways:

- The CMHA Board of Directors will assume full governance authority for CMHA.
 - Separating from CCHA will also resolve the incompatibility that exists between the model characteristics of a hospital based system and the recovery driven community support based philosophy of CMHA.
 - Achieving independent status will allow CMHA to freely partner with other care providers (Federally Qualified Health Centers, Physicians Practices, Accountable Care Organizations, Hospitals and other Human Services providers) throughout Central, Northwest and Western areas of Connecticut.
Ex. A., p. 9
10. In May 2010, OHCA approved the CCHA and Hartford Health Care Corporation (“HHCC”) Affiliation under Docket Number 09-31441. Ex. A, p. 7.
 11. On September 30, 2011, CMHA’s separation from the CCHA and HHCC was approved by their respective Boards of Directors. Ex. A, p. 10.
 12. CMHA’s services are contracted for, paid for, licensed and operated independently of any CCHA services. There will be no changes to the clinical services provided by CMHA as a result of this proposal. Ex. A, p. 10.
 13. CMHA will continue to work with CCHA affiliates, such as The Hospital of Central Connecticut (“HCC”) and the Visiting Nurse Association. CMHA currently maintains various subcontracts with HCC for direct care services. Ex. A, p. 11.
 14. CMHA projects that the separation agreement will take effect within 45 days of receiving OHCA’s Final Order and Decision. Ex. A, p. 8.
 15. CCHA is the sole member of CMHA. The CCHA Board does not object to CMHA’s application to OHCA to change ownership control and is a co-applicant. Ex. B, p. 298 and OHCA’s letter to CCHA May 24, 2012.
 16. CCHA indicates that CMHA is a wholly owned subsidiary of CCHA and not HCC. In this proposal, HCC is not terminating any of its services and will continue to provide its existing psychiatric offerings. Ex. B, p. 298.
 17. There are no capital expenditures/costs associated with this proposal. Ex. A, p. 15.
 18. CMHA anticipates that by being able to more freely partner with other health care related organizations throughout its various service areas that the overall health care costs to the CMHA service population will be reduced. Ex. A, p. 15.
 19. CMHA projects an annual service growth/demand of 2% per year. Ex. A, p. 15.

20. The following incremental revenues and expenses with the proposed project are projected:

Table 1: Projected Incremental Revenues and Expenses

Description:	FY 2012	FY 2013	FY 2014
Revenues from Operations	\$24,044,088	\$24,565,088	\$24,699,286
Total Operation Expense	\$23,941,209	\$24,413,867	\$24,545,395
Incremental Gain from Operations	\$102,879	\$151,221	\$153,891

Ex. A, p. 179.

21. The following overall revenues and expenditures with the proposed project are projected:

Table 2: Projected Overall Revenues and Expenses

Description:	FY 2012	FY 2013	FY 2014
Revenues from Operations	\$24,044,088	\$24,565,088	\$24,699,286
Total Operation Expense	\$23,873,949	\$24,346,607	\$24,478,135
Overall Gain from Operations	\$170,139	\$218,481	\$221,151

Ex. A, p. 182.

22. For all of the projected years, there will be savings of \$67,260 from the elimination of management fees and a reduction of audit, legal and insurance costs. Ex. A, p. 181.
23. This proposal is cost effective in that it will reduce certain management and support costs to CMHA and will allow CMHA to operate more efficiently and consistent with its mission and role. Ex. A, p. 18.

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) and the Applicant bears the burden of proof in this matter by a preponderance of the evidence. *Goldstar Medical Services, Inc., et al. v. Department of Social Services*, 288 Conn. 790 (2008); *Steadman v. SEC*, 450 U.S. 91, 101 S.Ct. 999, *reh'g den.*, 451 U.S. 933 (1981); *Bender v. Clark*, 744 F.2d 1424 (10th Cir. 1984); *Sea Island Broadcasting Corp. v. FCC*, 627 F.2d 240, 243 (D.C. Cir. 1980).

On August 19, 1998, OHCA approved a CON granting the transfer of control of CMHA to CCHA in which CMHA became a wholly owned subsidiary of CCHA, with no associated capital expenditure. FF 3. CMHA is a non-profit non stock section 501(c)(3) exempt organization that provides mental health services, outpatient psychiatric treatment for adults, substance abuse treatment and clinical and residential services for children at various locations in Connecticut. FF 1. CCHA a tax-exempt, non-profit organization, is the parent corporation of The Hospital of Central Connecticut ("HCC") and CMHA. FF 2. The Applicants now propose to transfer the ownership and control of CMHA from CCHA back to CMHA. FF 4.

CMHA indicates that the original intent of the Affiliation was for CMHA to become "the behavioral health arm" of the CCHA. FF 5. The Affiliation Agreement, agreed to by the respective Board of Directors of each party on June 18, 1996, articulated the following roles and benefits of the Affiliation of CMHA and CCHA: CMHA will serve as the behavioral health arm of CCHA; CMHA will represent behavioral health as a specialty within CCHA through its Board of Directors; CMHA Executive Director will concurrently serve as the Director of Behavioral Health for CCHA; CMHA and CCHA will jointly appoint a Chief of Psychiatry; CCHA agrees to involve CMHA in all aspects of negotiating and/or contracting for behavioral health care; CCHA will ensure a joint credentialing process and conflict resolution protocol; CCHA would centralize managed care contracting at the Alliance level; CMHA would have one seat on both the Bradley Memorial Hospital and the New Britain General Hospital Board of Directors; any future discussions towards contracting for joint ventures, merger or Affiliation with any entity that involves behavioral health services will include the Executive Director/Director of Behavioral Health or his designee(s) and the Chief of Psychiatry. FF 6. Based on the representation and documents provided to OHCA by the applicants in the CON Application granted under Docket Number: 98-539-CON, it was projected there would be cost savings via group purchasing agreements and a continuous sharing of clinical, technological, management and financial expertise among all of the affiliates which would lead to efficiencies of operation. FF 7. The activities and objectives related to roles, responsibilities, structure, and efficiencies that were noted in the Affiliation Agreement, the Letter of Intent, and the Certificate of Need Application granted under Docket Number: 98-539-CON, were never met. FF 8.

Approval of the CON at issue will benefit CMHA in the following ways: the CMHA Board of Directors will assume full governance authority for CMHA, separating from CCHA will also resolve the incompatibility that exists between the model characteristics of a hospital based system and the recovery driven community support based philosophy of CMHA, and achieving independent status will allow CMHA to freely partner with other care providers (Federally Qualified Health Centers, Physicians Practices, Accountable Care Organizations, Hospitals and other Human Services providers) throughout Central, Northwest and Western areas of Connecticut. FF 9. In May 2010, OHCA approved the CCHA and Hartford Health Care Corporation ("HHCC") Affiliation under Docket Number 09-31441. FF 10. On September 30, 2011, CMHA's separation from the CCHA and HHCC was approved by their respective Boards of Directors. FF 11. CMHA's services are contracted for, paid for, licensed and operated independently of any CCHA services. There will be no changes to the clinical services provided by CMHA as a result of this proposal. FF 12. CMHA will continue to work with CCHA affiliates, such as The Hospital of Central Connecticut ("HCC") and the Visiting Nurse Association. CMHA currently maintains various subcontracts with HCC for direct care services. FF 13. CMHA projects that the separation agreement will take effect within 45 days of receiving OHCA's Final Order and Decision. FF 14. CCHA is the sole member of CMHA. The CCHA Board does not object to CMHA's application to OHCA to change ownership control and is a co-applicant. FF 15. CCHA indicates that CMHA is a wholly owned subsidiary of CCHA and not HCC. In this proposal HCC, is not terminating any of its services and will continue to provide its existing psychiatric offerings. FF 16.

There are no capital expenditures/costs associated with this proposal. FF 17. CMHA anticipates that by being able to more freely partner with other health care related organizations throughout its various service areas that the overall health care costs to the CMHA service population will be reduced. FF 18. CMHA will realize incremental gains from operations of approximately \$103,000, \$152,000 and \$154,000 dollars annually with the proposal for FYs 2012 through 2014. Overall, CMHA will realize gains in operation of approximately \$171,000, \$219,000 and \$222,000 dollars with the proposal for FYs 2012 through 2014, respectively. FF 20 & 21.

For all of the projected years, there will be savings of \$67,260 from the elimination of management fees and a reduction of audit, legal and insurance costs. FF 22. OHCA finds that this proposal is cost effective in that it will reduce certain management and support costs to CMHA and will allow CMHA to operate more efficiently and consistent with its mission and role. FF 23.

Based upon all of the foregoing, OHCA finds that CMHA demonstrated that the proposal will have a positive impact on the financial strength of CMHA and the health care system.

Order


Based upon the foregoing Findings and Discussion, the Certificate of Need application of Community Mental Health Affiliates, Inc. and Central Connecticut Health Alliance, Inc., to transfer the ownership and control of Community Mental Health Affiliates, Inc. from Central Connecticut Health Alliance, Inc. to Community Mental Health Affiliates, Inc., 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

Date

7/9/2012



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