



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

June 10, 2014

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: 13-31859-CON

**New Milford Hospital, Danbury Hospital
and Western Connecticut Health Network,
Inc**

**Termination of New Milford Hospital's
License and the Acquisition of New
Milford Hospital's Licensed Beds by
Danbury Hospital**

To:

Sally Herlihy
Vice President, Planning
Western Connecticut Health Network, Inc.
24 Hospital Avenue
Danbury, CT 06810

Dear Ms. Herlihy:

This letter will serve as notice of the approved Certificate of Need Application in the above-referenced matter. On June 10, 2014, the Agreed Settlement, attached hereto, was adopted and issued as an Order by the Department of Public Health, Office of Health Care Access.

Kimberly R. Martone
Director of Operations

Enclosure
KRM:swl



**Department of Public Health
Office of Health Care Access
Certificate of Need Application**

Agreed Settlement

Applicants: New Milford Hospital, Danbury Hospital
and Western Connecticut Health Network, Inc.
24 Hospital Avenue, Danbury, CT 06810

Docket Number: 13-31859-CON

Project Title: Termination of New Milford Hospital's License and the Acquisition
of New Milford Hospital's Licensed Beds by Danbury Hospital

Project Description: New Milford Hospital, Danbury Hospital and Western Connecticut Health Network, Inc. ("WCHN") are proposing the termination of New Milford Hospital's Acute Care General Hospital License and the acquisition of New Milford Hospital's 85 acute care beds by Danbury Hospital.

Procedural History: New Milford Hospital, Danbury Hospital and WCHN (herein referred to as "Applicants") published notice of their intent to file a CON application in *The News Times* (Danbury) on July 4, 5 and 6, 2013. On August 15, 2013, the Office of Health Care Access ("OHCA") received the Certificate of Need ("CON") application from the Applicants for the above-referenced project. On December 20, 2013, OHCA deemed the application complete.

On January 16, 2014, the Applicants were notified of the date, time, and place of the public hearing. On January 17, 2014, a notice to the public announcing the hearing was published in *The News Times*. Thereafter, pursuant to Connecticut General Statutes ("Conn. Gen. Stat.") § 19a-639a, a public hearing regarding the CON application was held on February 19, 2014; rescheduled from February 5, 2014, due to inclement weather.

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 February 20, 2014. 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 and Conclusions of Law

1. WCHN is the parent corporation of Danbury Hospital and New Milford Hospital. Ex. A, p. 7.
2. New Milford Hospital is an 85-bed acute care hospital located at 21 Elm Street, New Milford, Connecticut. Ex. A, p. 7.
3. Danbury Hospital is a 371-bed (345 general and 26 bassinets) acute care hospital located at 24 Hospital Avenue, Danbury, Connecticut. Ex. A, p. 7.
4. In 2010 New Milford Hospital and Danbury Hospital became wholly-owned subsidiaries of WCHN. The governing instruments of New Milford Hospital and Danbury Hospital were revised so that both corporations have the same governance with the same sole member and the same directors. WCHN also has the same reserved powers/voting rights as both New Milford Hospital and Danbury Hospital. Ex. A, p. 7.
5. The 2010 affiliation established a regional health care delivery system. Since then, New Milford Hospital and Danbury Hospital have integrated operations in an effort to create consistent quality and cost-effective healthcare delivery. Ex. A, p. 8.
6. This proposal involves further consolidation of the operations of Danbury Hospital and New Milford Hospital, which share a unified mission to promote the health of people in the communities they serve in a cost effective manner. Ex. A, p. 8.
7. The Applicants propose to consolidate Danbury Hospital and New Milford Hospital into one license; Danbury Hospital's general hospital license ("license"). Ex. A, p. 7.
8. There will be no change in governance or control of the Applicants as part of this proposal. Ex. A, p. 7.
9. Operating under a single license will provide cost reductions while improving the quality of care provided to patients through clinical, financial and operational integration. Ex. A, p. 9.
10. Section 19-13-D3 of the Regulations of Connecticut State Agencies requires each licensed hospital to have its own medical staff, with its own set of bylaws and medical staff leadership. Ex. A, p. 16; Ex. C, p. 63.
11. With a single license, there would be a single set of bylaws that wholly govern the medical staff, thereby creating a single standard of expectations of providers, a single standard of care for all clinical conditions, and a formal and consistent peer review process, resulting in centralized oversight of the quality and safety of care across WCHN's hospital network. Ex. A, p. 16; Ex. C, p. 63.

12. WCHN has developed a matrix organizational structure across service lines, ensuring provision of a single standard of care for patients, supported by ongoing alignment of policies and procedures and practices at Danbury Hospital and New Milford Hospital. Ex. A, p. 8.
13. WCHN and its affiliated hospitals have aligned and simplified their collective policies and procedures in an effort to support the single standard of care concept. As a direct result, care and service practices have been standardized, variation has been reduced and training has been streamlined. Ex. A, p. 16.
14. Under a single license, the medical staff will have greater opportunity to coordinate care across the network consistently, efficiently and under one standard. The proposed consolidation will create one unified medical staff with the same policies, procedures and clinical pathways/order sets. Ex. A, p. 16, Ex. C, p. 52.
15. With separate licenses, New Milford Hospital and Danbury Hospital patients have separate medical records and patient account numbers. Ex. C, p. 52 and Ex. I, Prefiled Testimony of Steven Rosenberg, Senior Vice President and Chief Financial Officer of WCHN, pp. 1-2.
16. A shared medical record spanning both the Danbury Hospital and New Milford Hospital campuses will enhance quality and safety by eliminating the inefficiencies of duplicative efforts; increasing coordination of care with all clinicians working off the same admissions information; creating more efficient quality assurance and peer review through seamless access to shared information; and increasing the ability to perform quality analytics by using a single database. Ex. A, p. 17.
17. The implementation of a single electronic health record spanning both campuses will further enhance the quality and safety of health care delivery by improving communications across sites of care, including physician offices, emergency services, ambulatory centers and the inpatient environment. Ex. C, p. 52.
18. A single license will also allow WCHN, through a single IT platform, to examine quality and costs of care, as well as utilize predictive analytics to identify Danbury Hospital or New Milford Hospital patients who are at risk for disease and develop preemptive interventions. Ex. I, Pre-filed Testimony of John M. Murphy, M.D., President and CEO of WCHN, p. 3 and Ex. L, Testimony of Dr. Murphy, p. 11.
19. The Applicants' proposal will allow New Milford Hospital to be in compliance with federal ICD-10 coding requirements.¹ Ex. A, p. 7.

¹ ICD-9 codes used to report medical diagnoses and inpatient procedures will be replaced by ICD-10 codes. ICD-9 codes use 3 to 5 digits while the new ICD-10 codes use 3 to 7 digits. ICD-9 codes produce limited data and are inconsistent with current medical practice. Source: www.cms.gov/Medicare/Coding/ICD10/

20. In order to be ICD-10 compliant, WCHN explored three options, with respect to its billing systems:
 - a. Upgrading New Milford Hospital's Medi-Tech system at a cost of \$3.2 million, with two separate platforms;
 - b. Building out Danbury Hospital's Siemens Invision system to accommodate New Milford Hospital under a separate license at a cost of \$1.1 million, with two duplicate platforms; or
 - c. Building out Danbury Hospital's Siemens Invision system at a one-time cost of \$596,000 to accommodate New Milford Hospital under a single license.
Ex. L, Testimony of Mr. Rosenberg, pp. 15-16.

21. Danbury Hospital's Siemens patient accounting system can only function as a "single entity" system, and cannot accommodate multiple medical record numbers for a patient or process claims or accounts receivable for multiple tax identification number ("TINs").² Consequently, moving forward with consolidation of the IT systems under two licenses would require a complete duplication of the Invision system to accommodate the different TINs required for billing and managing accounts. Ex. C, p. 52 and Ex. I, Prefiled Testimony of Mr. Rosenberg, pp. 1-2.

22. Building out Danbury Hospital's Siemens Invision system and accommodating New Milford Hospital under a separate license would take approximately one year to develop and test. Ex. L, Testimony of Mr. Rosenberg, p. 16.

23. The most cost-effective solution to ensure New Milford Hospital's compliance with ICD-10 is to integrate New Milford Hospital's system with Danbury Hospital's and bill as a single entity. Ex. A, p. 8, Ex. C, p. 59.

24. By consolidating the two hospitals under a single license with a single IT platform, WCHN will avoid as much as \$3.2 million in costs and realize operational savings of a minimum of \$600,000 annually, including savings associated with a reduction in redundant platforms, maintenance costs, licensing and IT staff productivity. Ex. A, p. 8, Ex. C, p. 57, Ex. L, Testimony of Mr. Rosenberg, p. 15.

25. The Applicants' proposal will put New Milford Hospital in compliance with federal health care reform Meaningful Use ("MU") requirements³ and avoid financial penalties, through the adoption of technology in ways that promote coordinated care. Currently, Danbury Hospital has met the MU requirement and New Milford Hospital has not. Ex. L, Testimony of Dr. Murphy, pp. 7, 12-13.

26. Shifting to a single license will accelerate pricing alignment, which will provide consistency across WCHN, whereupon a charge for a specific procedure will be the same regardless of location. Ex. C, p. 65 and Ex. D, p. 75.

27. There is no capital expenditure associated with this proposal. Ex. C, p. 63 and Ex. A, p. 18.

² Each hospital has a unique tax identification number ("TIN"). Payers use these numbers to process and pay claims.

³ Meaningful Use is the adoption of technology to promote coordinated care. Ex. L, Testimony of Dr. Murphy, p.12.

28. After the proposal is implemented, all New Milford Hospital revenues and expenses will be shifted to Danbury Hospital's financial accounting system, resulting in the following financial projections.

Table 1: New Milford Hospital Financial Projections Incremental to the Proposal

Description	FY 2014	FY 2015	FY 2016
Incremental Operating Revenue	\$(72,137,000)	\$(73,799,000)	\$(76,759,000)
Incremental Operating Expenses	\$(77,715,000)	\$(80,127,000)	\$(82,573,000)
Revenue in Excess of Expenses	\$5,578,000	\$6,328,000	\$6,813,000

Assumption: All New Milford Hospital revenues and expenses will shift to Danbury Hospital's financial statements.

Ex. A, pp. 47&48.

29. The following table illustrates Danbury Hospital's projected gain from operations for the first three years following implementation of the proposal:

Table 2: Danbury Hospital Financial Projections with the Proposal

Description	FY 2014	FY 2015	FY 2016
Revenue from Operations	\$601,411,000	\$613,573,000	\$629,022,000
Operating Expenses	\$585,194,000	\$605,669,000	\$623,140,000
Gain from Operations	\$30,699,000	\$22,240,000	\$20,075,000

Assumptions: Danbury Hospital's operating margin without CON shows a year over year decline due to expense increases resulting from inflation and incremental depreciation/interest associated with the construction of a new tower outpacing revenue increases. Danbury Hospital's operating margin with CON shows a continued downward trend. However it has been adjusted to include New Milford Hospital's anticipated losses adjusted for savings/efficiencies moving to a single license.

Ex. A, p. 46.

30. New Milford Hospital projects the following savings, based on a single license:

Table 3: New Milford Hospital Projected Savings with the Proposal

Description	FY 2014	FY 2015	FY 2016
Salaries & Fringe Benefits	\$350,000	\$350,000	\$350,000
Contracted Services	\$175,000	\$175,000	\$175,000
Software Expense	\$154,000	\$158,000	\$162,000
Membership Dues	\$26,000	\$26,000	\$26,000
JCAHO	\$10,000	\$10,000	\$10,000
Depreciation*	\$513,000	\$513,000	\$513,000
Total Savings	\$1,228,000	\$1,232,000	\$1,236,000

*A method of allocating the cost of a tangible asset over its useful life.

The depreciation savings identified above are comprised of the following capital costs depreciated over 5 years. Moving to a single IT platform avoids extensive capital investment as well as ongoing annual maintenance savings.

Cost to upgrade Medi-Tech, savings:	\$3,161,000)
Incremental cost to move to one IT platform:	\$(597,000)
Net Savings:	\$2,564,000
Depreciation expense over 5 years:	\$513,000

Ex. A, p. 48.

31. Patient days at New Milford Hospital dropped from 11,757 in FY 2008 to 8,566 in FY 2012 (-27%).

Table 4: Acute Care Patient Days: FYs 2008 - 2012

Hospital	FY 08	FY 09	FY 10	FY 11	FY 12	Year-to-Year Change (%)				
						08/09	09/10	10/11	11/12	08/12
New Milford	11,757	9,858	9,346	9,378	8,566	-16%	-5%	0%	-9%	-27%
Danbury	87,317	92,474	95,142	96,560	91,875	6%	3%	1%	-5%	5%

OHCA Exhibit 1: Appendices I through V from the DPH 2013 Health Care Utilization in Connecticut Report

32. The occupancy rate for available beds at New Milford Hospital was 25% in FY 2012, compared to 68% at Danbury Hospital.

Table 5: Available Bed Occupancy Rates: FY 2012

Hospital	Fiscal Year 2012			
	Licensed Beds	Available Beds	Staffed Beds	Available Bed Occupancy Rate
New Milford	95	95	27	25%
Danbury	371	371	265	68%

OHCA Exhibit 1: Appendices I through V from the DPH 2013 Health Care Utilization in Connecticut Report

33. The distribution of inpatient services across a larger geographic area, the unknown impact of health care reform and bringing online the new bed tower at Danbury Hospital will ultimately determine the overall number of licensed beds required for WCHN and the allocation of these licensed beds at each facility. Ex. I, Prefiled Testimony of Mr. Rosenberg, p. 3.

34. The Applicants' proposal does not involve the addition, replacement or termination of any health care functions or services at Danbury Hospital or New Milford Hospital, or the movement of beds between New Milford Hospital and Danbury Hospital. Ex. A, p. 7.

35. As shown in Tables 6, 7 and 8, no change in the patient population mix is projected for Danbury Hospital, New Milford Hospital or WCHN, as a result of the proposal:

Table 6: Danbury Hospital's Patient Population Mix

	Current	Projected		
	FY 2013	FY 2014	FY 2015	FY 2016
Medicare*	45.5%	45.5%	45.5%	45.5%
Medicaid*	17.7%	17.7%	17.7%	17.7%
CHAMPUS & TriCare	0.2%	0.2%	0.2%	0.2%
Total Government	63.4%	63.4%	63.4%	63.4%
Commercial Insurers*	35.5%	35.5%	35.5%	35.5%
Uninsured	0.7%	0.7%	0.7%	0.7%

Workers Compensation	0.4%	0.4%	0.4%	0.4%
Total Non-Government	36.6%	36.6%	36.6%	36.6%
Total Payer Mix	100%	100%	100%	100%

Note: * Includes managed care activity.
Exhibit C, p. 64.

Table 7: New Milford Hospital's Patient Population Mix

	Current	Projected		
	FY 2013	FY 2014	FY 2015	FY 2016
Medicare*	57.9%	57.9%	57.9%	57.9%
Medicaid*	10.3%	10.3%	10.3%	10.3%
CHAMPUS &TriCare	0.1%	0.1%	0.1%	0.1%
Total Government	68.3%	68.3%	68.3%	68.3%
Commercial Insurers*	27.8%	27.8%	27.8%	27.8%
Uninsured	3.1%	3.1%	3.1%	3.1%
Workers Compensation	0.9%	0.9%	0.9%	0.9%
Total Non-Government	31.7%	31.7%	31.7%	31.7%
Total Payer Mix	100%	100%	100%	100%

Note: * Includes managed care activity.
Exhibit C, p. 64.

Table 8: WCHN's Patient Population Mix

	Current	Projected		
	FY 2013	FY 2014	FY 2015	FY 2016
Medicare*	46.7%	46.7%	46.7%	46.7%
Medicaid*	17.0%	17.0%	17.0%	17.0%
CHAMPUS &TriCare	0.2%	0.2%	0.2%	0.2%
Total Government	63.8%	63.8%	63.8%	63.8%
Commercial Insurers*	34.8%	34.8%	34.8%	34.8%
Uninsured	0.9%	0.9%	0.9%	0.9%
Workers Compensation	0.4%	0.4%	0.4%	0.4%
Total Non-Government	36.2%	36.2%	36.2%	36.2%
Total Payer Mix	100%	100%	100%	100%

Note: * Includes managed care activity.
Exhibit C, p. 64.

36. 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))
37. 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))
38. The Applicants have established that there is a clear public need for their proposal. (Conn. Gen. Stat. § 19a-639(a)(3))

39. The Applicants have satisfactorily demonstrated that the proposal is financially feasible. (Conn. Gen. Stat. § 19a-639(a)(4))
40. The Applicants have satisfactorily demonstrated that access will be maintained and demonstrated an improvement in quality and cost effectiveness of health care delivery in the region. (Conn. Gen. Stat. § 19a-639(a)(5))
41. The Applicants have shown that there would be no change to the provision of health care services to the relevant populations and payer mix. (Conn. Gen. Stat. § 19a-639(a)(6))
42. 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))
43. The historical utilization of health care facilities and services in the service area supports this proposal. (Conn. Gen. Stat. § 19a-639(a)(8))
44. 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. *Goldstar Medical Services, Inc., et al. v. Department of Social Services, 288 Conn. 790 (2008)*.

WCHN is the parent corporation of Danbury Hospital and New Milford Hospital. *FF1*. The current licensed bed complement for New Milford Hospital and Danbury Hospital is 85 and 371, respectively. *FF2-3*. In 2010 New Milford Hospital and Danbury Hospital became wholly-owned subsidiaries of WCHN. The governing instruments of New Milford Hospital and Danbury Hospital were revised so that both corporations have the same governance with the same sole member and the same directors. *FF4*. The purpose of the affiliation was to establish a regional health system. *FF5*. The Applicants are now proposing to terminate New Milford Hospital's license and consolidate operations and beds under Danbury Hospital's license. *F7*. As a result, New Milford Hospital will become a campus of Danbury Hospital.

The move to a single license will allow for more formal synergies between New Milford Hospital and Danbury Hospital, as the medical staff can be combined under one license, thus eliminating the need to have separate bylaws and medical staff leadership. *FF10*. A single set of bylaws governing the entire WCHN medical staff will create a single standard of expectations of providers, a single standard of care for all clinical conditions and a formal and consistent peer review process, through centralized oversight of quality and safety across WCHN. *FF11*. This will provide an opportunity to coordinate one standard of care across the WCHN network consistently and efficiently with a unified medical staff utilizing the same policies, procedures and clinical pathways. *FF13, 14*. A shared medical record spanning both campuses will contribute to enhanced quality and safety by eliminating the inefficiencies of duplicative efforts and improving communication across sites of care. *FF16, 17*. It will also allow for the use of predictive analytics to improve the quality of patient care by identifying patients across the WCHN network that are at risk for disease and developing preemptive interventions. *FF18*.

Since 2010, WCHN has focused its efforts on determining the appropriate mix of services for each hospital and each patient population. The process of evaluating services has been a continuing effort driven by community needs, demographics, patient convenience, and technology. *Ex. C, pp. 52-53*. The Applicants' objective is to deliver what is needed as efficiently and as effectively as possible. WCHN considered which services would be best provided at the local level, the travel patterns of patients for various health services and the needs and preferences of the populations served. *Ex. C, p. 53*. An important aspect of this proposal is that it will not result in any termination or change in location of any health care functions or services provided to the patients, or any change in the patient population mix for New Milford Hospital, Danbury Hospital or WCHN. *FF31, 32*. Therefore, the Applicants have ensured that access to services will be maintained for all patient populations currently being served.

One of the overarching goals of the Statewide Healthcare Facilities and Services Plan is the use of healthcare facility resources in an efficient, cost-effective manner while maintaining the

highest quality healthcare services being provided to the patient. The Applicants' proposal not only provides for the streamlining of resources over the WCHN network, it also demonstrates an improvement in the quality of healthcare services provided to the patient. Therefore, the Applicants have demonstrated a clear public need for their proposal.

Operating under a single license will enable New Milford Hospital to achieve savings through economies of scale (e.g., software expenses, membership fees, accreditation, etc.). New Milford Hospital will not incur operating expenses as a result of the proposal. Instead, it is projecting savings of \$1.2 million annually from FY2014-2016. *FF29, 30*. Once consolidation occurs, New Milford Hospital's revenues and expenses will shift to Danbury Hospital's financial accounting system. *FF28*. Even with this shift, Danbury Hospital is projecting gains from operations for FY2014-2016. *FF30*. Although Danbury Hospital's projected gains are less than those actually realized in previous years, it is still projecting substantial revenues. Therefore, the Applicants have satisfactorily demonstrated that their proposal is financially feasible.

In order for New Milford Hospital to become compliant with federal ICD-10 billing requirements, WCHN explored several options: upgrading New Milford Hospital's billing system for \$3.2 million (with two separate IT platforms); building out Danbury Hospital's billing system for \$1.1 million (with two duplicate IT platforms); or building out Danbury Hospital's billing system to accommodate New Milford Hospital utilizing the same IT platform for both hospitals under a single license. *FF20*. Consolidating New Milford Hospital and Danbury Hospital into a single license will avoid the incurrence of costs to build a redundant IT platform and represents the most cost-effective and efficient solution for bringing New Milford Hospital into compliance with the forthcoming ICD-10 coding requirements. *FF23*. The single IT platform will also enable New Milford Hospital to meet federal Meaningful Use requirements and avoid associated financial penalties. *FF25*. By consolidating the two hospitals under a single license and IT platform, WCHN will avoid as much as \$3.2 million in costs and realize operational savings of approximately \$600,000 annually. *FF24*. Shifting to a single license will also accelerate pricing alignment, providing for consistency in charges across both hospital campuses. *FF26*.

The Applicants' proposal will result in integrated clinical, financial and operational efficiencies which will create a coordinated standard of care across the WCHN network of hospitals. Moreover, the implementation of a shared medical record will facilitate the use of predictive analytics in an effort to improve patient health. This proposal, which represents the most cost effective option of complying with federal ICD-10 billing and Meaningful Use requirements, will also improve the financial strength of the health care system in the region and enable WCHN to avoid increased costs associated with building and maintaining two duplicative IT platforms. By eliminating redundant efforts and creating consistency and standardization across hospitals, the quality of care will be improved and costs savings will be achieved.

The distribution of inpatient services across a larger geographic area, the unknown impact of health care reform and the results of bringing the new Danbury Hospital bed tower online will impact the overall number of licensed beds required for WCHN and the allocation of these licensed beds at each facility. *FF33*. OHCA is concerned with New Milford Hospital's low occupancy rate (25% of available beds) and its ability to maintain the current level of acute care

services in the region. FF32 In order to ensure that access to quality healthcare is maintained, OHCA requires that the Applicants take certain actions as identified in the attached Order.

Order

NOW, THEREFORE, the Department of Public Health, Office of Health Care Access (“OHCA”), Western Connecticut Health Network, Inc. (“WCHN”), New Milford Hospital Inc. and Danbury Hospital, herein collectively referred to as the “Applicants,” hereby stipulate and agree to the terms of settlement with respect to the Applicants’ request for the termination of New Milford Hospital’s license and the acquisition of New Milford Hospital’s services and licensed beds by Danbury Hospital:

1. The Applicants’ request for a CON to consolidate the operations of Danbury Hospital and New Milford Hospital under a single general hospital license, with no associated capital expenditure, is hereby approved. Danbury Hospital shall be the surviving corporation after the consolidation and will hold the single hospital license.
2. Within ten (10) calendar days of the closing of the transaction, Danbury Hospital shall report to OHCA the date of such transaction and shall provide OHCA with copies of all associated documents, including any and all attachments or exhibits thereto.
3. Simultaneous to or upon surrender of New Milford Hospital’s license, Danbury Hospital’s hospital license shall be authorized to increase its licensed bed capacity from the present 371 beds (including 26 bassinets) to 456 beds (including 26 bassinets). Danbury Hospital shall file with OHCA a copy of the revised license to reflect this increased bed capacity within ten (10) calendar days of the issuance of the revised license.
4. Within thirty (30) calendar days of integration of the IT systems and reimbursement processes, the Applicants shall report to OHCA in writing the date the IT systems and reimbursement processes were fully integrated between the New Milford and Danbury campuses.
5. On an annual basis for a period of three (3) years, WCHN shall file with OHCA a copy of a report or study performed by or on behalf of WCHN and/or its affiliates, utilizing predictive analytics to identify patients in the service area of Danbury Hospital and New Milford Hospital who are at risk for disease. Such filings are due within thirty (30) calendar days of the end of each of the three (3) calendar years, commencing on January 30, 2015. Included within these annual filings shall be the following:
 - a. An initial plan, as well as annually updated plans, as applicable, to identify WCHN’s efforts and initiatives to address the identified needs of at-risk patients in the service area of Danbury Hospital and New Milford Hospital, and
 - b. Any cost savings realized by WCHN for the prior calendar year specifically related to efforts and initiatives identified utilizing predictive analytics, and identifying the factors or assumptions which entered into the calculation of the identified cost savings.

6. For the first three (3) years of the combined license, within thirty (30) calendar days of completion of any formal written assessment(s) prepared by or on behalf of, and approved by, the WCHN Board regarding the distribution of inpatient or outpatient services (as such terms are defined for purposes of CON authorization pursuant to Section 19a-638, C.G.S.) between the two campuses, WCHN shall provide OHCA with a copy of any such written assessment(s) and a high-level summary description of any action plan developed by WCHN responding to any recommendations made in the assessment(s). WCHN shall also include with any such submission a description of how such action plan is consistent with the Community Health Needs Assessments for the areas served. Any strategic action plan shall be considered by OHCA as a trade secret and therefore exempt from disclosure pursuant to Section 1-210, C.G.S.
7. WCHN shall request a CON Determination pursuant to Section 19a-638(c), C.G.S. prior to any planned relocation of any inpatient or outpatient service (as such terms are defined for purposes of CON authorization pursuant to Section 19a-638, C.G.S.) from one campus (New Milford or Danbury) to the other whereby such service will no longer be offered at the original campus site. In addition, WCHN shall comply with Section 19a-638, C.G.S. in connection with any termination of an inpatient or outpatient service (as such terms are defined for purposes of CON authorization pursuant to Section 19a-638, C.G.S.) currently offered at and by New Milford Hospital or Danbury Hospital.
8. Danbury Hospital shall notify OHCA within thirty (30) days of any planned reduction (other than temporary reductions for repairs, maintenance, fluctuations in volume, scheduling and other similar conditions) by more than 50% of the current capacity as of the date of this Order at either campus of an inpatient or outpatient service for which Section 19a-638, C.G.S. would require CON authorization if such service was terminated.
9. Danbury Hospital shall submit to OHCA, no later than October 31, 2015, a detailed and comprehensive document showing a three-year plan ("the plan") to integrate the patient care and non-patient care operations of both hospitals. At a minimum, the submission shall address the planned location of services and their associated beds, anticipated cost savings, staffing and quality improvements, and any merger-related revenue enhancements. Subsequent to the submission of the plan, Danbury Hospital shall file additional information, as set forth below, on a semi-annual basis, for a period of three (3) years. 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 November 30, 2015, May 31, 2016, November 30, 2016, May 31, 2017 and November 30, 2017. Danbury Hospital shall submit the following on a semi-annual basis:
 - a. Danbury Hospital shall provide OHCA with narrative updates on the progress of the implementation of the plan.
 - b. Danbury Hospital shall report cost saving totals of the merger 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 which are in use at the time of reporting in the OHCA Hospital Reporting System (“HRS”) Report 175 or successor report. Danbury Hospital will also file a narrative describing the specifics of the cost savings for each of these major expense categories.

- c. Danbury Hospital shall file a completed Balance Sheet and Statement of Operations for the consolidated Danbury Hospital. The format shall be consistent with that which is in use at the time of reporting in OHCA’s HRS Report 100 and Report 150 or successor reports.
 - d. Danbury Hospital shall file a completed Hospital Operating Expenses by Expense Category and Department for the consolidated Danbury Hospital. The format shall be consistent with that which is in use at the time of reporting in OHCA’s HRS Report 175 or successor report.
10. 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: 13-31859-CON.
 11. 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.
 12. 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 John M. Murphy, M.D., Chief Executive Officer
(Print name) (Title)

6/9/14
Date

John M. Murphy, M.D.
Duly Authorized for
New Milford Hospital, Inc.

Signed by John M. Murphy, M.D., Chief Executive Officer
(Print name) (Title)

6/9/14
Date

John M. Murphy, M.D.
Duly Authorized for
Danbury Hospital

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

6/9/14
Date

John M. Murphy, M.D.
Duly Authorized for
Western Connecticut Health Network, Inc.

The above Agreed Settlement is hereby accepted and so ordered by the Office of Health Care
Access on June 10, 2014.

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