

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

AGREED SETTLEMENT

Applicants:

Northeast Medical Group, Inc.
99 Hawley Lane, Stratford, CT 06614

L&M Physician Association Inc., d/b/a L+M Medical Group
365 Montauk Avenue, New London, CT 06320

Lawrence + Memorial Corporation
365 Montauk Avenue
New London, CT 06320

Yale New Haven Health Services Corporation
789 Howard Avenue
New Haven, CT 06519

Docket Number: 15-32032-CON

Project Title: **Transfer of Ownership of Group Practice by the Merger of L&M Physician Association into Northeast Medical Group**

Project Description: Northeast Medical Group, Inc. ("NEMG"), L&M Physician Association, Inc. ("L&MPA"), Lawrence + Memorial Corporation ("L+M") and Yale New Haven Health Services Corporation ("YNHHSC"), herein collectively referred to as the ("Applicants") seek authorization to transfer ownership of a group practice by the merger of L&MPA into NEMG.

Procedural History: The Applicants published notice of their intent to file a Certificate of Need ("CON") application in the *New Haven Register* and *The Day (New London)* on July 27, 28 and 29, 2015. On October 7, 2015, 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 May 10, 2016. On June 17, 2016, OHCA received a petition from a coalition of organizations led by New England Health Care Employees Union, District 1199 SEIU ("District 1199") requesting intervenor status with full rights of cross-examination. The Hearing Officer granted the petition of District 1199 ("Intervenor") on June 24, 2016. On June 22, 2016, the Applicants were notified of the date, time, and place of the public hearing. On June 24, 2016,

Commissioner Raul Pino designated Attorney Kevin T. Hansted as the hearing officer in this matter and a notice to the public announcing the hearing was published in the *The Day*.

Thereafter, pursuant to Connecticut General Statutes (“Conn. Gen. Stat.”) § 19a-639a (f)(2), a public hearing regarding the CON application was initially held on July 11, 2016 and continued on July 26, 2016. The hearing was conducted in accordance with the provisions of the Uniform Administrative Procedure Act (Chapter 54 of the Conn. Gen. Stat.) and Conn. Gen. Stat. § 19a-639a (f)(2). The record was closed on September 07, 2016. In rendering the decision, Deputy Commissioner Addo considered the entire record in this matter.

Findings of Fact and Conclusions of Law

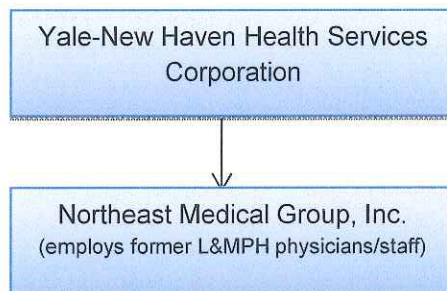
1. NEMG is a not-for-profit multispecialty medical foundation that provides physician-related services to Bridgeport, Greenwich, and Yale-New Haven Hospitals and their surrounding communities. NEMG is an affiliate of Yale-New Haven Health Services Corporation (“YNHHSC”), its sole member/parent. Ex. A, p. 179
2. YNHHSC is a Connecticut non-stock, tax-exempt corporation that was organized in 1983 to provide support services to Yale New Haven Health System (“YNHHS”), a network of affiliated health care providers, the foremost being Yale-New Haven Hospital. Ex. A, p. 22
3. L&MPA is a not-for-profit multispecialty medical foundation that provides physician-related services at multiple locations throughout southeastern Connecticut and southwestern Rhode Island. L&MPA does business under the name “L+M Medical Group.” Ex. A, pp. 22
4. L&MPA is a subsidiary of L+M. L+M is the parent corporation of a delivery network known as L+M Healthcare, whose main providers are L&MPA, Lawrence + Memorial Hospital (“L+MH”), Westerly Hospital of Rhode Island (“Westerly”) and the Visiting Nurse Association of Southeastern Connecticut. Ex. A, pp. 22, 146.
5. In conjunction with the proposed request to transfer ownership of L+M to YNHHSC (Docket Number 15-32033-CON) and due to Connecticut law¹, which limits the number of medical foundations allowed by a hospital or health care system, the Applicants have requested authorization to transfer ownership of L&MPA by merging the group practice into NEMG. Ex. A, p. 21
6. Based on the terms of the affiliation agreement of the parent companies and the merger plan, NEMG will be the surviving corporation of the merger and the NEMG Board of Trustees will be expanded to include two physicians on the medical staff of L+MH or Westerly, as well as the President of L+M or designee. Ex. A, pp. 23
7. The organizational structure of the L&MPA and NEMG before and after the transactions are listed below:

¹Connecticut General Statute, section 33-182bb states that a hospital, health system or medical school may organize and become a member of no more than one medical foundation.

CHART 1
CURRENT GROUP PRACTICE ORGANIZATIONAL STRUCTURE



CHART 2
PROPOSED GROUP PRACTICE ORGANIZATIONAL STRUCTURE



Ex. A, pp. 208, 209 and 211

8. L&MPA is a multispecialty² group with approximately 70 physicians located at various practices throughout southeastern Connecticut and Rhode Island. L&MPA is also a certified medical home with six sites, Groton, New London, Niantic, Old Lyme, Mystic and Stonington holding a Level III (highest level) Patient Centered Medical Home accreditation. Ex. A, pp. 23, 197
9. Under the proposal, current L&MPA physicians will become employees of NEMG. Ex. D, p. 217
10. The proposed merger will improve the ability of L&MPA to coordinate care across the region and enhance clinical integration and collaboration among physicians by utilizing NEMG's enhanced:
 - patient health information;
 - clinical and utilization data;
 - dashboard reports regarding the adherence to a number of quality indicators, shared clinical protocols;
 - care management services and coordinators.

Ex. D, pp. 213-214

² Specialties include: family practice, internal medicine, dermatology, endocrinology, general surgery, orthopedic surgery, neurosurgery, sleep medicine, neurology, rehabilitation medicine, obstetrics, gynecology, cardiology and interventional pain management.

11. The proposal will enable L&MPA to utilize the same electronic medical record software (“EMR”) used at NEMG practices, permitting access to patient information for all providers at any NEMG or YNHHS hospital location. Clinical and utilization data collected by this same EMR system and shared across NEMG practices will also be available. Ex. D, p. 213
12. NEMG physicians currently receive regular dashboard reports that examine quality indicators such as screenings, preventive care and medication adherence. NEMG also prepares regular reports that enable physicians to view the entirety of an episode of care including the utilization of hospital services, emergency room visits, primary care visits and post-acute care across a physician’s patient panel. Ex. D, p. 213
13. NEMG physicians will share clinical pathways and protocols with L&MPA physicians to provide evidence-based practice information to providers to help guide them in selecting appropriate tests and interventions. Ex. D, p. 213
14. NEMG offers care management services through care coordinators to address post-acute care needs and to focus on reducing emergency room visits and 30-day hospital readmissions. These services will be extended to L&MPA and help patients understand their care plan, gain access to needed services and receive timely and appropriate follow-up. Ex. D, p. 214
15. The Applicants reported the following historical volumes for fiscal years (“FYs”) 2012-2015:

**TABLE 1
HISTORICAL VISITS BY SERVICE AND FISCAL YEAR**

| Service: | NEMG | | | | L&MPA | | | |
|---------------------------|---------|---------|---------|---------|---------|---------|---------|---------|
| | FY 2012 | FY 2013 | FY 2014 | FY 2015 | FY 2012 | FY 2013 | FY 2014 | FY 2015 |
| Behavioral Health | 14,356 | 16,410 | 15,385 | 16,943 | - | 13,850 | 21,884 | 19,861 |
| Cardiology | 118,515 | 118,654 | 118,301 | 129,726 | 36,313 | 67,994 | 68,736 | 62,237 |
| Dermatology | - | - | - | - | - | 3,265 | 11,292 | 10,283 |
| Endocrinology | 4,269 | 5,330 | 7,471 | 6,996 | - | 831 | 8,396 | 13,670 |
| Gastroenterology | 2,254 | 2,904 | 20,372 | 19,899 | - | - | - | - |
| General Surgery | 45,972 | 45,351 | 59,426 | 69,517 | 12,051 | 16,034 | 21,671 | 21,774 |
| Geriatrics | 28,021 | 29,622 | 29,181 | 31,397 | - | - | - | - |
| Infectious Disease | - | - | - | - | - | - | 126 | 1,801 |
| Internal Medicine | 116,845 | 138,821 | 153,191 | 177,796 | - | - | - | - |
| Neonatology | 9,850 | 10,457 | 10,190 | 14,334 | 2 | 2 | 5,195 | 1,573 |
| Neuropsychology | - | - | - | - | 1 | 3 | - | 253 |
| Neurology | - | - | - | - | 710 | 2,804 | 2,879 | 2,916 |
| Neurosurgery | - | - | - | - | 7,892 | 8,240 | 6,142 | 6,509 |
| Obstetrics and Gynecology | 40,212 | 47,620 | 46,308 | 50,951 | 5,496 | 11,082 | 17,089 | 15,919 |
| Oncology | 15,262 | 19,869 | 20,696 | 20,865 | - | - | - | - |
| Orthopedics | - | - | - | - | 105 | 5,559 | 9,176 | 9,858 |
| Pain Management | 877 | 1,142 | 1,366 | 1,197 | - | 2,934 | 10,849 | 12,205 |
| Palliative Care | 2,379 | 3,611 | 4,297 | 3,132 | - | 98 | 481 | 62 |
| Pediatrics | 21,839 | 48,406 | 63,354 | 74,404 | - | 894 | 3,176 | 3,872 |
| Podiatry | 5,181 | 4,792 | 5,388 | 7,430 | - | - | - | - |

| | | | | | | | | |
|------------------|----------------|----------------|----------------|------------------|----------------|----------------|----------------|----------------|
| Primary Care | 59,204 | 155,441 | 339,887 | 649,703 | 53,947 | 60,792 | 70,848 | 71,872 |
| Psychiatry | - | - | - | - | 9,692 | 9,615 | 10,520 | 9,686 |
| Plastic surgery | - | - | - | - | 1,528 | 10 | - | - |
| Rheumatology | 4,154 | 5,408 | 5,994 | 10,233 | - | - | - | - |
| Sleep medicine | 7,083 | 7,350 | 7,461 | 6,730 | - | - | 1,721 | 4,807 |
| Vascular Surgery | - | - | - | - | - | - | - | 3,206 |
| Wound care | 3,004 | 4,455 | 4,777 | 4,897 | - | - | - | 35 |
| Total | 499,277 | 665,643 | 913,045 | 1,296,150 | 127,737 | 204,007 | 270,181 | 272,399 |

Ex. D, p. 219, 220

16. YNHHS will support the enhancement of clinical services by adding physicians in L+MH's service area in the following disciplines subject to community need and the opportunity to provide these services locally at a lower cost over a five-year period:

- primary care (6);
- surgical specialties (e.g., cardiovascular, women's and children's, neurosurgery) (9)
- medical specialists (e.g., oncology, cardiology) (10)
- behavioral health (1)

Late File 1, submitted August 2, 2016

17. The Applicants project an increase in overall volume from FY16 through FY19:

**TABLE 2
 PROJECTED VISITS BY SERVICE AND FISCAL YEAR***

| Service: | NEMG (including L&MPA) | | | |
|---------------------------|------------------------|---------|---------|---------|
| | FY 2016 | FY 2017 | FY 2018 | FY 2019 |
| Behavioral Health | 26,900 | 37,000 | 37,100 | 37,200 |
| Cardiology | 161,300 | 193,200 | 193,900 | 194,700 |
| Dermatology | 5,100 | 10,300 | 10,300 | 10,400 |
| Endocrinology | 13,900 | 20,800 | 20,800 | 20,900 |
| Gastroenterology | 20,000 | 20,100 | 20,100 | 20,200 |
| General Surgery | 80,600 | 91,900 | 92,300 | 92,600 |
| Geriatrics | 31,500 | 31,600 | 31,800 | 31,900 |
| Infectious Disease | 900 | 1,800 | 1,800 | 1,800 |
| Internal Medicine | 178,300 | 179,100 | 180,000 | 180,800 |
| Neonatology | 15,200 | 16,000 | 16,100 | 16,200 |
| Neuropsychology | 100 | 300 | 300 | 300 |
| Neurology | 1,500 | 2,900 | 2,900 | 2,900 |
| Neurosurgery | 3,300 | 6,500 | 6,500 | 6,600 |
| Obstetrics and Gynecology | 59,100 | 67,300 | 67,600 | 67,900 |
| Oncology | 20,900 | 21,000 | 21,100 | 21,200 |
| Orthopedics | 4,900 | 9,900 | 9,900 | 9,900 |
| Pain Management | 7,300 | 13,500 | 13,500 | 13,500 |
| Palliative Care | 3,200 | 3,200 | 3,200 | 3,200 |
| Pediatrics | 76,600 | 78,900 | 79,200 | 79,600 |
| Podiatry | 7,500 | 7,500 | 7,500 | 7,600 |
| Primary Care | 687,400 | 726,800 | 730,200 | 733,100 |

| | | | | |
|------------------|------------------|------------------|------------------|------------------|
| Psychiatry | 4,900 | 9,700 | 9,700 | 9,800 |
| Plastic surgery | - | - | - | - |
| Rheumatology | 10,300 | 10,300 | 10,400 | 10,400 |
| Sleep medicine | 9,200 | 11,600 | 11,600 | 11,700 |
| Vascular Surgery | 1,600 | 3,200 | 3,200 | 3,200 |
| Wound care | 4,900 | 5,000 | 5,000 | 5,000 |
| Total | 1,436,400 | 1,579,400 | 1,586,000 | 1,592,600 |

*FY 2016-2018 projected to increase as a result of new physician recruitment for primary care, surgical specialties, medical specialists and behavioral health.

Ex. D, p. 221; Late File 1, submitted August 2, 2016

18. Medicaid-covered patients account for 10.5% of NEMG's patient population and 16.1% of L&MPA's patient population. Following the merger, the payer mix with more closely reflect NEMG's due to its significantly higher patient volumes (approximately five times greater):

**TABLE 3
NEMG AND L&MPA CURRENT AND PROJECTED POPULATION-BASED PAYER MIX**

| PAYER | FY 2015 Actual | | | | FY 2016* Projected | | | |
|-----------------------------|------------------|--------------|----------------|--------------|--------------------|--------------|----------------|--------------|
| | NEMG | | L&MPA | | NEMG | | L&MPA | |
| | Volume | % | Volume | % | Volume | % | Volume | % |
| Medicare** | 323,700 | 24.9% | 100,936 | 37.1% | 374,242 | 26.1% | 50,542 | 37.1% |
| Medicaid** | 137,020 | 10.5% | 43,737 | 16.1% | 158,921 | 11.1% | 21,901 | 16.1% |
| CHAMPUS & TriCare | 5,330 | 0.4% | 8,340 | 3.1% | 9,506 | 0.7% | 4,176 | 3.1% |
| Total Government | 466,050 | 35.9% | 153,013 | 56.2% | 542,669 | 37.8% | 76,619 | 56.2% |
| Commercial Insurers | 720,070 | 55.4% | 111,478 | 40.9% | 775,891 | 54.0% | 55,821 | 40.9% |
| Uninsured | 111,280 | 8.6% | 3,883 | 1.4% | 113,224 | 7.9% | 1,944 | 1.4% |
| Workers Compensation | 2,600 | 0.2% | 4,024 | 1.5% | 4,615 | 0.3% | 2,015 | 1.5% |
| Total Non-Government | 833,950 | 64.2% | 119,386 | 43.8% | 893,731 | 62.2% | 59,781 | 43.8% |
| Total Payer Mix | 1,300,000 | 100% | 272,399 | 100% | 1,436,400 | 100% | 136,400 | 100% |

*Based on a merger date of April 1, 2016.

Ex. A. p. 31, 41

**TABLE 4
NEMG'S PROJECTED POPULATION-BASED PAYER MIX WITH THE PROPOSAL**

| PAYER | Projected with Proposal | | | | | |
|-----------------------------|-------------------------|--------------|----------------|--------------|----------------|--------------|
| | FY 2017 | | FY 2018 | | FY 2019 | |
| | Volume | % | Volume | % | Volume | % |
| Medicare* | 426,501 | 27.0% | 428,218 | 27.0% | 429,934 | 27.0% |
| Medicaid* | 181,550 | 11.5% | 182,279 | 11.5% | 183,007 | 11.5% |
| CHAMPUS & TriCare | 13,726 | 0.9% | 13,769 | 0.9% | 13,812 | 0.9% |
| Total Government | 621,777 | 39.4% | 624,265 | 39.4% | 626,753 | 39.4% |
| Commercial Insurers | 835,281 | 52.9% | 838,850 | 52.9% | 842,419 | 52.9% |
| Uninsured | 115,691 | 7.3% | 116,213 | 7.3% | 116,735 | 7.3% |
| Workers Compensation | 6,651 | 0.4% | 6,672 | 0.4% | 6,693 | 0.4% |
| Total Non-Government | 957,623 | 60.6% | 961,735 | 60.6% | 965,847 | 60.6% |

| | | | | | | |
|------------------------|------------------|-------------|------------------|-------------|------------------|-------------|
| Total Payer Mix | 1,579,400 | 100% | 1,586,000 | 100% | 1,592,600 | 100% |
|------------------------|------------------|-------------|------------------|-------------|------------------|-------------|

Ex. A. p. 31, 41

19. Following the merger, NEMG will continue to administer its existing charity care policies, which are slightly more generous than L&MPA's, to patients requiring financial assistance. Ex. D, p. 218, 219
20. The Applicants do not anticipate any changes to patient health care cost as a direct result of this proposal. Ex. A, p. 31
21. There is no capital expenditure associated with the proposal. Ex. A. p. 32
22. For the most recently completed fiscal year (FY 2015), both group practices experienced operational losses:

**TABLE 5
APPLICANTS' ACTUAL LOSSES FROM OPERATIONS IN FY 2015***

| | NEMG | L&MPA |
|-----------------------------|-------------------|-------------------|
| Revenues from Operations | \$269,965 | \$38,034 |
| Total Operating Expense | \$323,896 | \$59,938 |
| Loss from Operations | \$(53,931) | \$(21,903) |

*Amounts are in thousands, rounded
Ex. D, pp. 225, 226

23. The Applicants project the following operational losses associated with the proposal:

**TABLE 6
APPLICANTS' PROJECTED LOSSES FROM OPERATIONS WITH THE PROPOSAL***

| | FY 2016 | FY 2017 | FY 2018 | FY 2019 |
|-----------------------------|-------------------|-------------------|-------------------|-------------------|
| Revenues from Operations | \$307,108 | \$335,031 | \$342,067 | \$349,278 |
| Total Operating Expense | \$371,884 | \$408,482 | \$415,955 | \$423,760 |
| Loss from Operations | \$(64,736) | \$(73,451) | \$(73,888) | \$(74,482) |

*Amounts in thousands, rounded
Ex. D, pp. 225, 226

24. Despite the losses incurred from NEMG, YNHHS projects operation gains of \$107,829, \$180,433, \$182,377, and \$183,092 in FY 2016, FY 2017, FY 2018 and FY 2019, respectively. Docket number: 15-32033-CON, p. 855
25. YNHHS's financial profile is strong enough to support NEMG and L&MPA and sustain the losses accompanied by its acquisition of L&MPA, as evidenced by its long-term bond ratings: AA- (stable outlook) by Fitch, Aa3 (stable outlook) by Moody's and A+ (positive outlook) by S&P. Ex. G; p 231
26. 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))

27. This CON application is consistent with the Statewide Health Care Facilities and Service Plan. (Conn. Gen. Stat. § 19a-639(a)(2))
28. The Applicants have established that there is a clear public need for the proposal. (Conn. Gen. Stat. § 19a-639(a)(3))
29. The Applicants have demonstrated that the proposal is financially feasible. (Conn. Gen. Stat. § 19a-639(a)(4))
30. The Applicants have satisfactorily demonstrated that the proposal will maintain quality, accessibility and cost effectiveness of health care delivery in the region. (Conn. Gen. Stat. § 19a-639(a)(5))
31. The Applicants have shown that there would be no change in the provision of health care services to the relevant populations and payer mix, including access to services by Medicaid recipients and indigent persons. (Conn. Gen. Stat. § 19a-639(a)(6))
32. The Applicants have satisfactorily identified the population to be affected by this proposal. (Conn. Gen. Stat. § 19a-639(a)(7))
33. The Applicants' historical provision of treatment in the service area supports this proposal. (Conn. Gen. Stat. § 19a-639(a)(8))
34. 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))
35. 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))
36. 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))
37. 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))

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).

NEMG, an affiliate of YNHHS, is a not-for-profit multispecialty medical foundation that provides physician-related services to Bridgeport, Greenwich, and Yale-New Haven Hospitals and their surrounding communities. *FF1* YNHHS provides support services to YNHHS, a network of affiliated health care providers, the foremost being Yale-New Haven Hospital. *FF2* L&MPA is a not-for-profit multispecialty medical foundation with approximately 70 physicians that provides physician-related services at multiple locations throughout southeastern Connecticut and southwestern Rhode Island. *FF3* L&MPA is a subsidiary of L+M, the parent corporation of L+M Healthcare, whose main providers are L&MPA, L+MH, Westerly Hospital in Rhode Island and the Visiting Nurse Association of Southeastern Connecticut. *FF4*

In conjunction with the proposed request to transfer ownership of L+M to YNHHS (Docket Number 15-32033-CON) and due to Connecticut law³, which limits the number of medical foundations allowed by a hospital or health care system to one, the Applicants have requested authorization to transfer ownership of L&MPA to NEMG. Under the proposal current L+MPA physicians will become employees of NEMG. *FF5*

The proposal will improve clinical integration and collaboration among physicians and enhance L&MPA's ability to coordinate care across the region. *FF10* The use of the same electronic medical record software will permit L&MPA physicians access to patient information or clinical and utilization data at any NEMG or YNHHS location. *FF11* L&MPA physicians will be able to view dashboard reports that examine quality indicators such as screenings, preventive care and medication adherence as well as view entire episodes of patient care. *FF12* Additionally, these physicians will share NEMG's clinical pathways and protocols, evidence-based practice information, to help guide them in selecting appropriate tests and interventions. *FF13* NEMG's care coordination services will be extended to L&MPA physicians to address post-acute care needs and to focus on reducing emergency room visits and 30-day hospital readmissions. These services will help patients understand their care plan, gain access to needed services and receive timely and appropriate follow-up. *FF14* YNHHS will support the enhancement of clinical services by adding physicians in L+MH's service area in primary care, surgical specialties (e.g., neurosurgery), medical specialties (e.g., oncology and behavioral health), which will be provided locally at a lower cost over a five-year period. *FF17*

Medicaid-covered patients account for 10.5% of NEMG's patient population and 16.1% of L&MPA's patient population. Following the merger, although the payer mix with more closely

³Connecticut General Statute, section 33-182bb states that a hospital, health system or medical school may organize and become a member of no more than one medical foundation.

reflect NEMG's due to its significantly higher patient volumes (approximately five times greater), Medicaid patients will continue to be served by the physicians. *FF18* After the merger, NEMG will continue to administer its existing charity care policies, which are slightly more generous than L&MPA's, to patients requiring financial assistance. *FF19* The Applicants do not anticipate any changes to patient health care cost as a direct result of this proposal. *FF20*

As a result of these combined factors, the Applicants have satisfactorily demonstrated that quality and access to physician/provider services in the region will be maintained or improved for all relevant patient populations and there will be no changes to patient health care costs.

There is no capital expenditure associated with the proposal. *FF21* For the most recently completed fiscal year (FY 2015), both group practices experienced operational losses and losses are projected in each of the three years following the proposal. *FF22,23* However, despite these losses, YNHHS projects operation gains of \$107,829, \$180,433, \$182,377, and \$183,092 in FY 2016, FY 2017, FY 2018 and FY 2019, respectively, as YNHHS's financial profile is strong enough to support NEMG and L&MPA and sustain the losses accompanied by its acquisition of L&MPA, as evidenced by its long-term bond ratings: AA- (stable outlook) by Fitch, Aa3 (stable outlook) by Moody's and A+ (positive outlook) by S&P. *FF24,25*

The Applicants have satisfactorily demonstrated that the proposal is financially feasible and that the proposal will ensure that access to quality care is maintained or improved for the population currently being served, including the Medicaid population. Accordingly, the Applicants have demonstrated that their proposal is consistent with the Statewide Health Care Facilities and Services Plan.

Order

Based upon the foregoing Findings of Fact and Discussion, the Applicants' request for Transfer of Ownership of Group Practice by the Merger of L&M Physician Association into Northeast Medical Group, is hereby **Approved** under Conn. Gen. Stat. § 19a-639(a) subject to the enumerated conditions (the "Conditions") set forth below.

Unless expressly provided otherwise, all Conditions of this Order shall, to the extent applicable, be binding on the Applicants, their affiliates, successors and assigns. OHCA and any successor agency shall have the right to enforce the Conditions by all means and remedies available to it under law and equity, including but not limited to, the right to impose and collect a civil penalty under Conn. Gen. Stat. § 19a-653 against any person or health care facility or institution that fails to file required data or information within the prescribed time periods set forth in this Order. All references to days in these Conditions shall mean calendar days.

Given the importance of this affiliation to Eastern Connecticut, the applicants have voluntarily agreed to the following conditions for the purpose of representing its ongoing commitment to the provision of high quality affordable health care services in Eastern Connecticut. To the extent that certain obligations required hereunder are satisfied by L+M and YNHHS pursuant to Docket Number **15-32033-CON**, the obligations herein are not required to be repeated to satisfy the conditions hereunder. Thus, by satisfying the same obligations in Docket Number **15-32033-CON**, the Applicants have satisfied the same condition herein. The following are ways in which L+M and YNHHS shall demonstrate these commitments for a period of not less than five years (except as otherwise noted) following the Closing of the affiliation of L+M with YNHHS:

1. L+M and YNHHS shall maintain the current L+MH and Lawrence & Memorial Medical Group (LMMG) commercial health plan contracts in effect as of the Date of Closing for a period following the Date of Closing to December 31, 2017. Rates or scheduled increases in such previously negotiated rates that are in effect on the Date of Closing shall be maintained for a period ending December 31, 2017. Any L+M commercial health plan contracts that expire prior to December 31, 2017 shall be extended to December 31, 2017 and any contracts without expiration dates shall be continued under their current previously negotiated terms for a period from the Date of Closing to December 31, 2017. No increase in negotiated rate schedules shall be negotiated during the periods set forth in this paragraph.

Upon the expiration of any such L+M commercial health plan contracts after such period, L+M and YNHHS shall negotiate new rates based on L+M's post-Closing cost structure, taking into account any cost or price reductions, i.e. efficiencies, achieved as a result of the affiliation. YNHHS shall not impose a single System-wide rate and shall, for L+MH and LMMG, maintain a negotiated rate structure reflective of the market conditions applicable generally to hospitals and medical foundations in Eastern Connecticut.

For a period of five years from the Date of Closing in the case of L+MH, and twenty-eight months from the Date of Closing in the case of LMMG, any annual increase in the

total price per unit of service (as defined below) for L+MH and LMMG shall be subject to a cap determined through the process set forth in Paragraphs 3 and 4 below. It is the intent of the parties that such cap shall serve as a cap for the purpose of assuring patient affordability for services delivered by L +MH and LMMG.

2. With respect to the proposed merger of LMMG and Northeast Medical Group (NEMG):
 - a. LMMG and NEMG will integrate as of the Closing Date, and when NEMG is able to abide by the commitment set forth in paragraph 1 above, i.e. physicians providing services through NEMG to L + M patients, that were not providing services as of the Date of Closing, shall charge prices for services (site specific charges) based upon LMMG commercial health plan contracts and total price per unit of service, LMMG and NEMG shall implement the statutory merger contemplated in the Certificate of Need Application.
 - b. Physicians who are hired, recruited or contracted by a YNHHS affiliate to provide professional services (other than in a licensed hospital department) in the primary service area (which may from time to time change), currently the communities of East Lyme, Groton, Ledyard, Lyme, Montville, New London, North Stonington, Old Lyme, Preston, Salem, Stonington and Waterford, and in the following specialties shall be billed at the LMMG commercial health plan negotiated rates subject to the provisions of paragraph 1: family medicine; general medicine; internal medicine; obstetrics and gynecology; endocrinology; and psychiatry. Current LMMG physicians providing services in the primary service area as of the Date of Closing in any specialties shall be subject to the provisions of paragraph 1.
3. Within ninety days of the Date of Closing, YNHHS shall initiate a cost and market impact review which shall comply with Connecticut General Statute Section 19a-639f, which such analysis shall include and shall be utilized to establish the baseline cost structure set forth below:
 - a. Establishing a baseline cost structure and total price per unit of service (the "baseline CMIR") and establishing a cap on annual increases in total price per unit of service (as defined in D. below) for L+MH and LMMG (the "annual CMIR update"). Yale New Haven shall retain an independent consultant, subject to OHCA's approval, to conduct the baseline CMIR and the annual CMIR update and shall pay all costs associated with the cost and market review. To the extent that all data is not available to comply with the provisions of section 19a-639f the baseline CMIR shall be adjusted to reflect such information when it becomes available.
 - b. In conducting the baseline CMIR and annual CMIR update, the cost and market impact review shall analyze the factors relative to L+MH and LMMG in accordance with subsection (d) of section 10a-639f of the general statutes and the Eastern Connecticut market more specifically: (a) L+MH and LMMG's size and market share within their primary and secondary service areas; (b) L+MH's and LMMG's prices for units of service, including its relative price compared to other providers for

the same services in Eastern Connecticut; (c) L+MH and LMMG cost and cost trends in comparison to total healthcare expenditures statewide; (d) the availability and accessibility of services similar to those provided by L+MH and LMMG in their primary and secondary service areas; (e) the role of L+MH and LMMG in serving at-risk, underserved and government payer populations, including those with behavioral, substance use disorder and mental health conditions, within their primary and secondary service areas; (f) the role of L+MH and LMMG in providing low margin or negative margin services within their primary and secondary service areas; (g) general market conditions for hospitals and medical foundations in the state and in Eastern Connecticut in particular; and (h) and other conditions that the independent consultant determines to be relevant to ensuring that L+MH and LMMG prices do not exceed the market price for similar services in Eastern Connecticut.

- c. In recognition that the baseline CMIR pursuant to Connecticut General Statute Section 19a-639f shall be conducted after the Date of Closing, in the event that the baseline CMIR finds a likelihood of materially increased prices as a result of the L+M affiliation with YNHHS, notwithstanding these conditions, the Commissioner of Public Health (Commissioner) and YNHHS shall meet and confer for the purpose of determining further conditions as necessary to correct such condition and to create a performance improvement plan to address the conditions. The Commissioner shall determine whether YNHHS is in compliance with such performance improvement plan. Prior to the end of each fiscal year, the independent consultant shall conduct the annual CMIR update and use the results of such annual CMIR update to establish a cap on any increase in the price per unit of service for the upcoming fiscal year. Nothing herein shall prohibit the independent consultant from considering and recommending any recommendations of the Certificate of Need Task Force on cost containment measures or a cap on annual cost or price increases.
- d. The independent consultant shall take direction from the Commissioner of the Department of Public Health. The independent consultant in establishing the cap shall take into consideration the cost reductions reflective of the efficiencies resulting from the affiliation and the annual cost of living of the primary service area or the Eastern Connecticut area.
- e. The independent consultant shall provide the baseline CMIR and the annual CMIR update to OHCA within thirty days of completion. OHCA shall keep confidential all nonpublic information and documents obtained as part of the baseline CMIR and the annual CMIR update and shall not disclose the information or documents to any person without the consent of YNHHS and L+M, unless required to do so by law. The confidential information and documents shall not be public records and shall be exempt from disclosure under Connecticut General Statute Section 1-210.

4. For purposes of determining the price per unit of service:
 - a. A “unit of service” for inpatient hospital services shall be a case categorized by an ICD-9-DM/ICD-10-DM diagnosis code or a Diagnosis-Related Group (DRG) code and identified by the Connecticut Department of Insurance pursuant to P.A. 15-146 Section 2 as among the fifty most frequently occurring acute care hospital inpatient primary diagnoses, the fifty most frequently provided acute care hospital inpatient principal procedures, and the twenty-five most frequent inpatient surgical procedures.
 - b. A “unit of service” for outpatient hospital services shall be a procedure or service categorized by a Current Procedural Terminology (CPT) or Healthcare Common Procedure Coding (HCPC) code and identified by the Connecticut Department of Insurance pursuant to P.A. 15-146 Section 2 as among the fifty most frequently provided outpatient procedures, the twenty-five most frequent outpatient surgical procedures and the twenty-five most frequent imaging procedures performed in the state.
 - c. A “unit of service” for physician services shall be a work Relative Value Unit (wRVU).
 - d. The baseline to be established as of the Date of Closing for L+M’s total price per unit of service for physician services and inpatient and outpatient hospital services is inclusive of all administrative overhead, other ancillary fees including, but not limited to facility fees and the total price per unit shall reflect the total price of such service.
 - e. All administrative costs for overhead, ancillary fees, facility fees or any other fees which are reflected in the total price per unit shall be determined by the independent consultant to be within any annual cap established.
5. L+M and YNHHS shall not convert any L+M physician offices (including those that will be merged into NEMG) to hospital-based status.
6. Employees of any L+M affiliate shall not be required to reapply for their positions as a result of the affiliation. To the extent that any L+M employees leave their employment at L+M service sites within ninety days following the Closing Date and obtain employment with a YNHHS affiliate, such employees’ seniority shall be preserved (e.g., eligibility for benefits consistent with total years of service).
7. Every six months (the “six month reports”) until December 1, 2018 and each year thereafter (each an “annual report”), YNHHS shall submit notarized reports to OHCA for the periods of January to June (due July 31st) and July through December (due January 31st) certifying the achievement of each and every commitment described herein, including without limiting the foregoing the following specific detail:
 - a. Affirmation that L+M and LMMG commercial health plan contracts in place as of the Date of Closing are/were maintained through the remainder of their terms, and

that any new contracts are consistent with the commitments of paragraphs (20), (21) and (22) above.

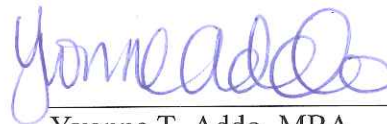
- b. Affirmation that no L+M physician office has been converted to hospital-based status.
 - c. A detailed and comprehensive document showing a five-year plan (the "plan") to generate and achieve efficiencies for L+M resulting from non-clinical shared services opportunities, L+M's integration with and adoption of YNHHSO information technology systems and platforms, YNHHSO's supply chain management services, integration of clinical and business practices across LMMG and NEMG, L+M's reduced cost of capital, and L+M's participation in YNHHSO population health initiatives. Subsequent to submission of the plan in its six month report, YNHHSO shall include a completed Balance Sheet, Statement of Operations, Statement of Cash Flow for L+MH, L+M and LMMG (or of NEMG in the event of an NEMG-LMMG merger). For L+MH, 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; and
8. In addition to the above, L+M and YNHHSO make the following commitment for a period of five years post-Closing:
- a. L+M and YNHHSO shall appoint an independent monitor at their own cost (selected by YNHHSO and L+M and approved by OHCA) to serve as a post-transfer compliance monitor.
 - b. Such monitor shall, at a minimum meet with representatives of the L+M community at six months after the Date of Closing and annually and shall report to OHCA in accordance with Section 19a-639(e) of the general statutes and specifically address: (i) L+M's compliance with the Certificate of Need Order; and (ii) the level of community benefits and uncompensated care provided by L+M during the prior period.
 - c. L+M shall provide the monitor with reasonable access to its public filings and facilities and all other financial information necessary for the purposes of carrying out the monitor's duties.
 - d. L+M shall hold a public forum in New London at six months after the Date of Closing and not less than annually thereafter during the monitoring period to provide for public review and comment on the monitor's reports and findings.
 - e. If the Independent Monitor determines that YNHHSO and L+M are substantially out of compliance with the conditions to the CON, the monitor shall notify YNHHSO and L+M in writing regarding the deficiency. Within two weeks of such notice, the monitor shall convene a meeting with representatives from YNHHSO and L+M for the purpose of determining compliance and any appropriate corrective action plan. If

YNHHSC and L+M fail to implement a plan of correction satisfactory to the monitor within thirty days of such meeting, the monitor shall report such substantial noncompliance and its impact on health care costs and accessibility to OHCA. OHCA shall determine whether such non-compliance has had a material negative impact and what remedy is reasonably necessary to bring YNHHSC and L + M into compliance and shall have the right to enforce these conditions by all means and remedies available to it under law and equity, including but not limited to Conn. Gen. Stat. 19a-642 and the right to impose and collect a civil penalty under Conn. Gen. Stat. 19a-653 In addition, in the event OHCA determines YNHHSC and L+M are in material non-compliance, OHCA may order YNHHSC and L+M to provide additional community benefits as necessary to mitigate the impact of such non-compliance.

By Order of the
Department of Public Health
Office of Health Care Access

9/8/16

Date



Yvonne T. Addo, MBA
Deputy Commissioner

Northeast Medical Group and L&M Physicians Association
Docket Number: 15-32032-CON

Date

Duly Authorized Agent for
L&M Physician Association Inc.,
d/b/a L+M Medical Group

Signed by _____,
(Print name)

(Title)

Date

Duly Authorized Agent for
Lawrence + Memorial Corporation

Signed by _____,
(Print name)

(Title)

Date

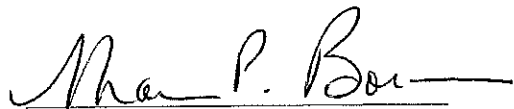
Duly Authorized Agent for
Northeast Medical Group, Inc.

Signed by _____,
(Print name)

(Title)

9/7/16

Date



Duly Authorized Agent for
Yale New Haven Health Services Corporation


Signed by Marna P. Borgstrom,
(Print name)

President & CEO

(Title)

Northeast Medical Group and L&M Physicians Association
Docket Number: 15-32032-CON

Date



Duly Authorized Agent for
L&M Physician Association Inc.,
d/b/a L+M Medical Group

Signed by CHRISTOPHER LEINACH, MD
(Print name)

PRESIDENT L+M MEDICAL GROUP
(Title)

Date

Duly Authorized Agent for
Lawrence + Memorial Corporation

Signed by _____
(Print name)

(Title)

Date

Duly Authorized Agent for
Northeast Medical Group, Inc.

Signed by _____
(Print name)

(Title)

Date

Duly Authorized Agent for
Yale New Haven Health Services Corporation

Signed by _____
(Print name)

(Title)

Northeast Medical Group and L&M Physicians Association
Docket Number: 15-32032-CON

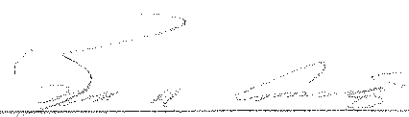
Date

Duly Authorized Agent for
L&M Physician Association Inc.,
d/b/a L+M Medical Group

Signed by _____
(Print name)

(Title)

Date



Duly Authorized Agent for
Lawrence + Memorial Corporation

Signed by Bruce Cummings
(Print name)

President and CEO

(Title)

Date

Duly Authorized Agent for
Northeast Medical Group, Inc.

Signed by _____
(Print name)

(Title)

Date

Duly Authorized Agent for
Yale New Haven Health Services Corporation

Signed by _____
(Print name)

(Title)

Northeast Medical Group and L&M Physicians Association
Docket Number: 15-32032-00N

Date

Duly Authorized Agent for
L&M Physician Association Inc.,
d/b/a L+M Medical Group

Signed by _____
(Print name)

(Title)

Date

Duly Authorized Agent for
Lawrence + Memorial Corporation

Signed by _____
(Print name)

(Title)



Date

Duly Authorized Agent for
Northeast Medical Group, Inc.

Signed by Christopher M. O'Connor
(Print name)

Executive Vice President, COO
(Title)

Date

Duly Authorized Agent for
Yale New Haven Health Services Corporation

Signed by _____
(Print name)

(Title)