

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

Final Decision

Applicants:

Franklin Medical Group, P.C.
56 Franklin Street, Waterbury, CT 06706

Saint Mary's Health System, Inc.
56 Franklin Street, Waterbury, CT 06706

Trinity Health Corporation
20555 Victor Parkway, Livonia, MI 48152

Trinity Health-New England, Inc.
114 Woodland Street, Hartford, CT 06105

Docket Number: 16-32077-CON

Project Title: Transfer of Ownership of an Affiliate

Project Description: Franklin Medical Group, P.C. ("FMG"), Saint Mary's Health System ("SMHS"), Trinity Health Corporation ("THC") and Trinity Health-New England, Inc., regional health ministry ("TH-NE"), collectively the ("Applicants") seek authorization to transfer ownership of FMG from SMHS to TH-NE, with no associated capital expenditure.

Procedural History: The Applicants published notice of their intent to file a Certificate of Need ("CON") application in *The Republican American* (Waterbury) on October 22, 23 and 24, 2015. On March 24, 2016, the Office of Health Care Access ("OHCA") received the CON application from the Applicants for the above-referenced project. However, the application was submitted outside the statutory required 90-day window following public notice. As a result, OHCA requested that the Applicants re-notice the proposal and resubmit the application. The second notice appeared in *The Republican American* (Waterbury) on March 31, April 1 and 2, 2016 and the application was re-opened effective April 25, 2016. The application was deemed complete on July 18, 2016. OHCA received no responses from the public concerning the proposal and no hearing requests were received per Connecticut General Statutes ("Conn. Gen. Stat.") § 19a-639a(e). Deputy Commissioner Addo considered the entire record in this matter.

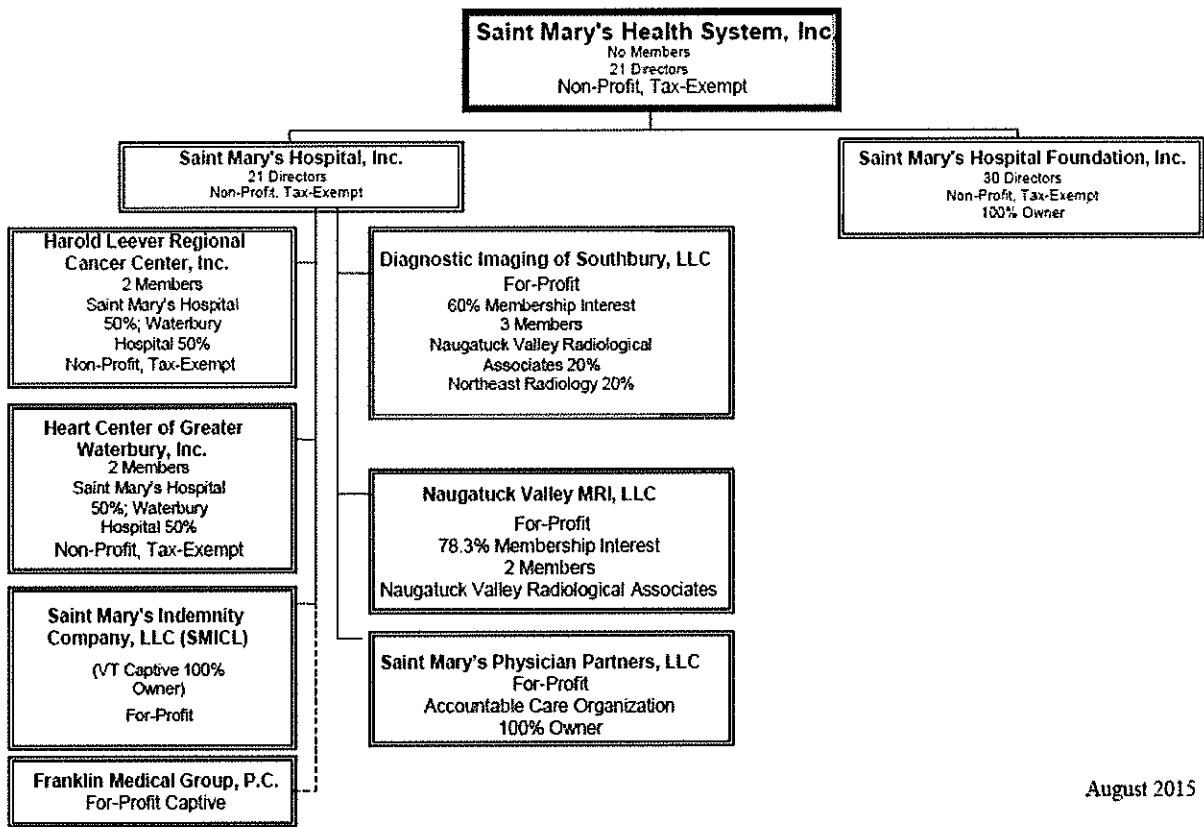


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Findings of Fact and Conclusions of Law

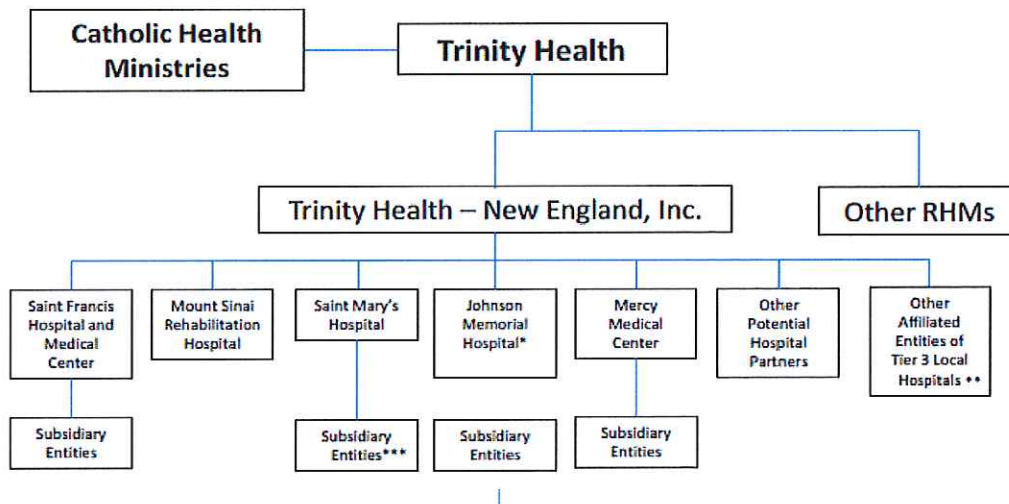
1. FMG is a multispecialty group that employs approximately 90 providers at various locations in and around Waterbury. Ex. A, p. 15
2. FMG is a for-profit affiliate of Saint Mary’s Hospital (“SMH”) with a separate management structure and tax ID. Ex. A, pp. 15, 505
3. THC is a Catholic health care system with 88 hospitals, 126 continuing care facilities, home health and hospice programs across 21 states. It is the sole shareholder of TH-NE. Docket 15-32045-CON, Ex. A, p. 19
4. TH-NE is regional health care provider and the parent company of numerous health care facilities in Connecticut, including Saint Francis Hospital and Medical Center and Mount Sinai Rehabilitation Hospital in Hartford. Ex. A, p. 16
5. SMHS, which includes Saint Mary’s Hospital, is an integrated Catholic health care delivery system serving Waterbury and its surrounding towns. Ex. A, p. 15
6. SMHS is the sole member of SMH and the ultimate controlling entity of FMG (see organization chart below):



Ex. A, pp.16, 188

August 2015

7. This proposal requests an organizational change to the governance structure/controlling entity of FMG from SMHS to TH-NE. Ex. A, p.17
8. As submitted in OHCA Docket 15-32045-CON and in accordance with a transfer agreement, TH-NE will become the sole corporate member of Saint Mary’s Hospital, Inc. It is anticipated that SMHS will be dissolved, leaving SMH as the surviving entity. Docket 15-32045-CON, p. 16
9. Following adoption of the proposal, FMG will continue to operate as an affiliate of SMH.



*(1/1/2016 anticipated closing date)

** This refers to non-hospital entities that are on the same level as the hospital entities noted, such as Saint Francis Medical Group, Inc., Saint Francis Hospital Foundation, etc.

***Franklin Medical Group, P.C. would be included as a subsidiary entity of Saint Mary's Hospital upon approvals.

Ex. A, pp. 17, 85

10. FMG offers a comprehensive range of clinical services¹ in various service locations (Middlebury, Naugatuck, Prospect, Southbury Waterbury, Watertown and Wolcott). FMG does not anticipate any changes to existing services or their locations as a result of the proposal. Ex. A, pp. 36-37

¹FMG services include, but are not limited to: breast surgery, colorectal surgery, critical care medicine, endocrinology, gastroenterology, general surgery, internal medicine, medical cardiology, medical oncology, pediatrics, primary care, psychiatry, pulmonology and rheumatology.

11. FMG's historical utilization by service is listed in the table below:

TABLE 1
FMG HISTORICAL UTILIZATION

Service	Actual Volume (Last 3 Completed FYs)			CFY Volume
	FY 2013	FY 2014	FY 2015 ¹	FY 2016 ²
Primary Care	52,389	46,997	105,681	110,965
Cardiology	17,812	18,985	26,736	28,073
Breast Surgeons	5,183	5,853	13,268	13,931
Surgery	5,416	9,481	12,199	12,809
Gastroenterology	3,121	5,327	15,678	16,462
Oncology/Hematology	-	2,496	3,328	3,494
Rheumatology	-	-	614	645
GYN	2,706	2,754	2,219	2,330
Sleep	3,128	3,569	3,789	3,978
Pulmonary & Critical Care	7,960	8,108	10,493	11,018
Infectious Disease	5,275	5,541	5,596	5,876
Pediatrics	-	4,300	12,907	13,552
Behavioral Health (IP & OP)	16,404	17,819	20,490	21,515
Academic	33,988	37,398	50,462	52,985
Hospital Based	49,321	43,216	47,346	49,713
Total	202,703	211,844	330,806	347,346

¹ Volume increase due to an increase in community-based providers joining the group and the addition of two new cardiologists.

² FY 2016 annualized based on 7 months (October 2015 through April 2016)

Ex. A, p. 55; Ex, p. 528

12. FMG projects that patient volume will grow by approximately 5% as new providers continue to fill their patient panels.

TABLE 2
FMG PROJECTED UTILIZATION

Service	Projected Volume		
	FY2017	FY2018	FY2019
Primary Care	145,488	152,762	160,400
Cardiology	37,476	38,900	40,845
Breast Surgeons	18,023	18,925	19,871
Surgery	16,929	17,775	18,664
Gastroenterology	18,362	19,280	20,244
Oncology/Hematology	4,318	4,534	4,761
Rheumatology	3,589	3,769	3,957
GYN	3,238	3,400	3,570
Sleep	4,311	4,527	4,753
Pulmonary & Critical Care	10,861	11,404	11,974
Infectious Disease	6,536	6,863	7,206
Pediatrics	14,580	15,309	16,074
Behavioral Health (IP & OP)	21,110	22,166	23,274
Academic	34,549	36,277	38,090
Hospital Based	44,465	46,689	49,023
Total	383,408	402,579	422,707

Ex. A, p. 55; Ex. E, p. 528

13. The proposal will not result in any change to the patient population served, clinical services offered, service locations or physician referral patterns. Ex. A, pp. 17-18, 35, 56
14. TH-NE has committed \$100M for capital needs in the first five years following the transfer (additional capital may be made available based on performance). The committed capital will be available to support SMHS and its related entities (FMG) for the strategic growth and infrastructure needed to develop an integrated delivery system, to expand and upgrade health care facilities, equipment and services and to support community health/population management initiatives and physician network development. Ex. A, p. 17
15. As a result of this proposal, FMG will gain access to Trinity Health’s Unified Clinical Organization (“UCO”). The UCO allows physicians to work collaboratively to share best practices and to develop evidence-based clinical methods to promote the highest quality, safest and most effective care to patients, achieving a number of safety accomplishments (e.g., reduced sepsis mortality rate from 15.8% to 11.1% between FY 2010 and December 2014). Ex. A, pp. 42-43

16. TH-NE will provide SMHS with the necessary capital to improve its technology through the development of a health information technology exchange (“HITE”) and electronic health records (“EHRs”). As a result, paper records used in some of the FMG locations will be replaced by EHRs to report patient diagnostic data. Ex. A, p. 30
17. Through its enhanced ability to efficiently share data, FMG will be able to benchmark its clinical and financial performance with the entire Trinity Health system, as well as evaluate patient satisfaction through the use of the Press Ganey survey tool. Ex. A, p. 30
18. TH-NE will assist SMHS’s physicians by sharing health delivery protocol and system changes identified by the Connecticut Institute for Primary Care Innovation² and help introduce new technology and practice approaches that have been tested in the Innovation + Learning Center.³ Ex. A, p. 30
19. The Applicants do not anticipate any changes to the payer mix as a result of this proposal. Medicaid patients account for 22.5% of the patient population.

**TABLE 3
CURRENT & PROJECTED PAYER MIX**

Payer	FY 2015		Projected							
			FY 2016		FY 2017		FY 2018		FY 2019	
	Visits	%	Visits	%	Visits	%	Visits	%	Visits	%
Medicare*	130,404	39.4%	143,943	39.4%	151,139	39.4%	158,697	39.4%	166,631	39.4%
Medicaid*	74,464	22.5%	82,195	22.5%	86,305	22.5%	90,621	22.5%	95,151	22.5%
CHAMPUS & TriCare	-	-	-	-	-	-	-	-	-	-
Total Government	204,868	61.9%	226,138	61.9%	237,445	61.9%	249,317	61.9%	261,782	61.9%
Commercial Insurers	121,836	36.8%	134,485	36.8%	141,209	36.8%	148,270	36.8%	155,683	36.8%
Uninsured	2,183	0.7%	2,410	0.7%	2,530	0.7%	2,657	0.7%	2,790	0.7%
Workers Compensation	1,919	0.6%	2,118	0.6%	2,224	0.6%	2,335	0.6%	2,452	0.6%
Total Non-Government	125,938	38.1%	139,013	38.1%	145,963	38.1%	153,262	38.1%	160,925	38.1%
Total Payer Mix	330,806	100%	365,151	100%	383,408	100%	402,579	100%	422,707	100%

*Includes managed care activity

Ex. C, p.530

² The Connecticut Institute for Primary Care Innovation (CIPCI) is a collaborative enterprise between Saint Francis Hospital and Medical Center and the UCONN School of Medicine. Started in November 2010, CIPCI convenes primary care stakeholders and leaders to showcase innovative practice models and serves as a resource for primary care leadership, education and research.

³ The Innovation+Learning Center at Saint Francis Hospital and Medical Center is a 1,141 square foot, high fidelity simulation studio that includes three patient bays, a production/recording room, and three large adjacent conference rooms for debriefing teams following a simulation exercise. The patient bays can be adjusted to replicate any clinical setting (e.g., Intensive Care Unit, primary care office, etc.) to aide in training health care professionals.

20. There are no planned changes in the price structure at FMG as a result of the ownership change. Ex. A, p. 46
21. FMG has adopted SMHS's charity care policy and will continue to have self-pay and financial assistance policies following the change of ownership to TH-NE. Ex. A, pp. 46, 52
22. Operational losses are projected for FMG in each fiscal year from FY 2016 through FY 2019.

TABLE 4
FMG PROJECTED GAIN/ (LOSS) FROM OPERATIONS (in thousands)

	FY 2016	FY 2017	FY 2018	FY 2019
Revenue from Operations	\$37,476	\$38,716	\$39,907	\$41,124
Total Operating Expenses	\$54,672	\$55,965	\$57,367	\$58,806
Loss from Operations	(\$17,196)	(\$17,249)	(\$17,460)	(\$17,682)

Ex. E, p. 532

23. Despite the losses projected for FMG, TH-NE projects operational gains of \$5.2M, \$19.7M, \$24.8M and \$26.9M, respectively, from FY 2016 through FY 2019. OHCA Docket No. 15-32045-CON, p. 441
24. 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))
25. This CON application is consistent with the Statewide Health Care Facilities and Service Plan. (Conn. Gen. Stat. § 19a-639(a)(2))
26. The Applicants have established that there is a clear public need for the proposal. (Conn. Gen. Stat. § 19a-639(a)(3))
27. The Applicants have demonstrated that the proposal is financially feasible. (Conn. Gen. Stat. § 19a-639(a)(4))
28. 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))
29. 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))
30. The Applicants have satisfactorily identified the population to be affected by this proposal. (Conn. Gen. Stat. § 19a-639(a)(7))
31. The Applicants' historical provision of treatment in the service area supports this proposal. (Conn. Gen. Stat. § 19a-639(a)(8))

32. 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))
33. 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))
34. 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))
35. 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).

FMG is a for-profit multispecialty group and affiliate of SMH that employs approximately 90 providers at various service locations in and around Waterbury. *FF1-FF2* As submitted in OHCA Docket 15-32045-CON and in accordance with a transfer agreement, TH-NE will become the sole corporate member of SMHS, the parent of SMH/FMG. This proposal requests approval for a change in the governance structure/controlling entity of FMG from SMHS to TH-NE. Following adoption of the proposal, it is anticipated that SMHS will be dissolved, SMH will remain as the surviving entity and FMG will continue to operate as an SMH affiliate. *FF6-FF9*

FMG will gain access to and benefit from Trinity Health's Unified Clinical Organization ("UCO"). The UCO allows physicians to work collaboratively to share best practices and to develop evidence-based clinical methods to promote the highest quality, safest and most effective care to patients. *FF15* TH-NE will provide SMH/FMG with the necessary capital to improve its technology through the development of HITE and EHRs. As a result, paper records used in some of the FMG locations will be replaced by EHRs to report patient diagnostic data. Through its enhanced ability to efficiently share data, FMG will be able to benchmark its clinical and financial performance with the entire THC system, as well as evaluate patient satisfaction through the use of the Press Ganey survey tool. *FF16-FF17*

FMG offers hospital and community-based services, providing more than 330,000 patient visits in FY 2015. *FF10-11* The proposal will not result in any change to the patient population served, clinical services offered, service locations or physician referral patterns. *FF13* FMG has adopted SMHS's charity care policy and will continue to provide self-pay and financial assistance policies following the change in ownership. *FF21* As a result of these combined factors, the Applicants have satisfactorily demonstrated that quality and access to cost effective physician/provider services in the region will be maintained for all relevant patient populations.

FMG projects operational losses of approximately \$17M per year, with or without the proposal. Despite these losses, TH-NE still projects operational gains of \$5.2M, \$19.7M and \$24.8M and \$26.9M, respectively, from FY 2016 through FY 2019. *FF22-23* Therefore, the Applicants have satisfactorily demonstrated that the proposal is financially feasible.

Overall, the continued operation of FMG will support the financial strength of the health care system in Connecticut while ensuring that access to quality care is maintained 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 and Discussion, the Certificate of Need application for the transfer of SMHS's ownership interest in FMG to TH-NE, with no associated capital expenditure 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

7/27/2016

Date



Yvonne T. Addo, MBA
Deputy Commissioner