



STATE OF CONNECTICUT

OFFICE OF THE ATTORNEY GENERAL

DEPARTMENT OF PUBLIC HEALTH



GEORGE JEPSEN
ATTORNEY GENERAL

RAUL PINO, M.D., M.P.H.
COMMISSIONER

February 24, 2016

Via Email Only

Jonathan Spees
Senior VP, Mergers and Acquisitions
Prospect Medical Holdings, Inc.
10780 Santa Monica Blvd., Suite 400
Los Angeles, CA 90025

Dennis P. McConville
Senior VP and Chief Strategy Officer
Eastern Connecticut Health Network, Inc.
71 Haynes Street
Manchester, CT 06040

**Re: Eastern Connecticut Health Network, Inc. Proposed Asset Purchase by Prospect Medical Holdings, Inc.; OHCA Docket Number: 15-32016-486 and Attorney General Docket Number: 15-486-01.
Request for Prefiled Testimony and Issues**

Dear Mr. McConville and Mr. Spees:

The Office of Health Care Access ("OHCA") and the Office of the Attorney General ("OAG") will hold a public hearing on the above docket number on March 15, 2016 and March 16, 2016. The hearings will begin at 2:00 p.m. on March 15 & 16, 2016 at Manchester Country Club, 305 South Main Street, Manchester and Vernon Town Council Chambers, at 14 Park Place, Vernon, respectively. Pursuant to the Regulations of Connecticut State Agencies § 19a-9-29(e), any party or other participant is required to prefile in written form all substantive, technical, or expert testimony that it proposes to offer at the hearing. OHCA and the OAG request that Eastern Connecticut Health Network, Inc and Prospect Medical Holdings, Inc. ("Applicants") submit prefiled testimony by 4:00 p.m. on March 9, 2016.

Additionally, please find attached Issues. Please respond to the attached Issues in writing to OHCA and OAG as an attachment to the Prefile testimony.

All persons providing prefiled testimony must be present at the public hearing to adopt their written testimony under oath and must be available for cross-examination for the entire duration of the hearing. If

you are unable to meet the specified time for filing the prefiled testimony you must request a time extension in writing, detailing the reasons for not being able to meet the specified deadline.

Please mail one (1) complete hard copy and one (1) complete electronic copy of the requested materials for approval to each of the following addresses:

Office of the Attorney General
55 Elm Street, P.O. Box 120
Hartford, Connecticut 06141-0120
Attn: Gary W. Hawes, AAG

Office of Health Care Access, Dept. of Public Health
410 Capitol Avenue
Hartford, Connecticut 06134
Attn: Steven W. Lazarus

Please contact Gary A. Hawes (Gary.Hawes@ct.gov or (860) 808-5020) or Steven W. Lazarus (Steven.lazarus@ct.gov or (860) 418-7012) if you have any questions concerning this request.



Kevin T. Hansted
Hearing Officer
Office of Health Care Access, DPH



Gary A. Hawes
Assistant Attorney General
Office of the Attorney General

Attachment

Cc: Rebecca Matthews, Esq.
Michelle Volpe, Esq.

ISSUES

*Office of Health Care Access Docket No. 15-32016-486
Attorney General Docket No. 15-486-01*

Eastern Connecticut Health Network, Inc. Proposed Asset Purchase by Prospect Medical Holdings, Inc.

The Applicants should be prepared to present and discuss supporting evidence on the following issues:

- The clear public need for and the community benefits of the proposal.
- How access to care will be maintained in the service area following the asset purchase of the two Eastern Connecticut Health Network, Inc. ("ECHN") hospitals, Manchester Memorial Hospital ("MMH") and Rockville General Hospital ("RGH"), by Prospect Medical Holdings, Inc. ("PMH").
- PMH's management of Quality Assurance and Performance Improvement (QAPI) across its hospital network and, in particular, the manner in which oversight of the QAPI program will be managed at MMH and RGH.
- The financial feasibility of the proposal.
- How prices for, and the cost of, health care services at MMH and RGH will be affected by PMH's acquisition of those facilities.
- The charity care policies to be implemented at MMH and RGH following the transfer of ownership and how they compare to PMH's current charity care policies.
- The commitment PMH is willing to make to performing future health needs assessments for the communities in ECHN's service area in a manner that allows for widespread public input, collaboration with other health care providers in the community as well public dissemination of the assessments and MMH's and RGH's implementation plan to address the identified needs.
- How PMH's experience with license consolidation (i.e., combining separately licensed hospitals into a single licensed hospital with separate campuses) in the other markets in which it operates might impact the future of MMH and RGH.

Provide a written response on the following as an attachment to the pre-file testimony, as these questions were not fully addressed in the Application completeness process:

1. With respect to PMH's 2014 acquisition of the two CharterCARE hospitals in Rhode Island, Our Lady of Fatima Hospital and Roger Williams Medical Center, please describe all PMH achievements in the following areas:
 - a. improvements in care coordination between the two facilities;

- b. reducing unnecessary redundancies between the two facilities; and
 - c. measureable quality and access improvements at the two facilities.
2. Please describe what impact PMH’s acquisition of the two CharterCARE hospitals has had on the prices charged to patients and third-party payers at those facilities.
 3. Please describe the benefits realized by patients and payers at the PMH acquired hospitals in California and Texas from any change in pricing structure that occurred at those hospitals in the three years immediately following PMH’s acquisition of those hospitals and any benefits from changes in pricing structure that may presently exist.
 4. In reference to the revised Exhibit S in the December 11, 2015 Response to Deficiencies, PMH’s Capital investments and Cost Savings Table, page 3247, please address the following:
 - a. Elaborate on the initiatives that contributed to the decrease in marginal cost and total cost per day at Our Lady of Fatima Hospital, Roger Williams Medical Center and Nix Health System. Indicate if the decline was due to change in patient volume. If yes, explain the decline in volume;
 - b. For each of the three entities described in 4(a), elaborate on how the financial performance improvements in the areas of Profitability, Liquidity and Solvency translated into lower health care costs, if any, for the hospitals and their patients; and
 - c. For each of the three entities described in 4(a) and 4(b), please complete the following table, as applicable:

Entity	EBITDA			Working Capital			Stockholder’s Equity		
	Year prior to acquisition	FY 2014	FY 2015	Year prior to acquisition	FY 2014	FY 2015	Year prior to acquisition	FY 2014	FY 2015

5. Please provide the full Statement of Deficiencies and Plan of Correction pertaining to the California Department of Health (“CDOH”) survey completed on November 10, 2015, an excerpt of which is attached at Exhibit Q1c-1 to the February 12, 2016 completeness question responses submitted in PMH’s proposed asset purchase of Greater Waterbury Health Network, Inc. under OHCA Docket No. 15-32017-486 and Attorney General Docket No. 15-486-02, which has been administratively noticed in this proceeding, and all correspondence exchanged between Los Angeles Community Hospital and the CDOH concerning MD#6 referenced therein.
6. Please provide the full Statement of Deficiencies and Plan of Correction pertaining to the CDOH survey of Southern California Hospital at Culver City completed on September 25, 2015, an excerpt of which is attached at Exhibit Q1c-2 to the February 12, 2016 completeness questions

submitted under OHCA Docket No. 15-32017-486 and Attorney General Docket No. 15-486-02, which has been administratively noticed in this proceeding, and all correspondence exchanged between Southern California Hospital at Culver City concerning the hospital's sterilization and infection control processes described therein.

7. In reference to Exhibits Q1c-1 and Q1c-2 of the February 12, 2016 submission, please discuss the current status of the Immediate Jeopardy determinations at the Los Angeles Community Hospital and Southern California Hospital at Culver City.
8. With respect to the Immediate Jeopardy determinations identified in Question 7 above, please discuss ECHN's due diligence after having learned about the Immediate Jeopardy determinations and the conclusions based upon that due diligence.