



# CHCA

## CONNECTICUT HEALTH CARE ASSOCIATES

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October 24, 2014

Gary W. Hawes

Assistant Attorney General

55 Elm Street, P.O. Box 120

Hartford, CT 06141

Dear Mr. Hawes:

At the hearing concerning St Mary's Hospital's acquisition on October 16, 2014, Tenet, the for-profit company that desires to obtain hospitals in Connecticut, declined to put details of its alliance with Yale New Haven on the public record, citing trade secrets.

Connecticut Health Care Associates, NUCCHE, AFSCME feels that it is important that the process of Tenet's purchases in the Connecticut market be as transparent as possible. Therefore it is important that the following information detailing the relationship between Tenet and Yale New Haven be entered into the official record

In a public filing for CHEFA dated June 23 2014, Yale New Haven described the details of the partnership. The following is from the filing. The full document can be found at <http://emma.msrb.org/EA608904-EA476406-EA872921.pdf>

On page A-12 and A-13 details of the joint venture are listed.

*As of February 12, 2014, HSC entered into a strategic alliance agreement (the "Strategic Alliance Agreement") with Tenet Healthcare Corporation ("Tenet"), a publicly traded Nevada for-profit corporation. The purpose of the Strategic Alliance Agreement is to establish two related organizations:*

- (i) a regional integrated provider network organization (the "Regional Provider Organization") to endeavor to establish a network of community hospitals in Connecticut, New York, Rhode Island, and parts of Massachusetts (the "Geographic Service Area"); and*
- (ii) a risk organization (the "Risk Organization") to endeavor to enter into risk contracts with payers on behalf of HSC, other members of the System, and providers owned by the Regional Provider Organization, as well as potentially other, non-affiliated providers. The consummation of the transactions contemplated by the Strategic Alliance Agreement is subject to numerous contingencies and conditions, including regulatory approvals. There can be no assurance that the transactions contemplated by the Strategic Alliance Agreement will be consummated on the terms set forth by the Strategic Alliance Agreement or at all.*

### *Regional Provider Organization.*

*The Strategic Alliance Agreement contemplates that HSC and Tenet will establish the Regional Provider Organization as the exclusive vehicle, subject to certain exceptions, of HSC and Tenet for the acquisition of any ownership interest in any healthcare facility and provider in the Geographic Service Area. The Regional Provider Organization will be a holding company for directly or indirectly owned subsidiary for-profit business entities that will be established for the purpose of purchasing, owning and operating healthcare facilities and providers. The Members of the Obligated Group would not be controlled by the Regional Provider Organization and would remain independent not-for-profit organizations controlled solely by HSC. Tenet will own an 80% membership interest and HSC will own a 20% membership interest in the Regional Provider Organization. The day-to-day operations of each subsidiary of the Regional Provider will be managed by a subsidiary of Tenet pursuant to a management services agreement.*

*The Strategic Alliance Agreement provides that, for as long as HSC is a member of the Regional Provider Organization, HSC may not acquire, own, manage or operate any licensed hospital or other healthcare facility within the Geographic Service Area other than through the Regional Provider Organization, with certain exceptions. One exception is for not-for-profit hospitals and healthcare facilities that do not elect to convert to for-profit status in order to become a subsidiary of the Regional Provider Organization. Another exception is that no healthcare facility that HSC owns, manages or operates as of the date of the Strategic Alliance Agreement will become a subsidiary of the Regional Provider Organization. Except pursuant to certain agreed-on purchase and sale options described in the Strategic Alliance Agreement, HSC may not withdraw or resign from the Regional Provider Organization, or demand or receive a return of its capital contribution, without the consent of and except on the terms approved by Tenet.*

### *Risk Organization.*

*The Strategic Alliance Agreement contemplates that HSC and Tenet will effectuate all risk and gain-sharing agreements entered into by them or providers owned by the Regional Provider Organization in the Geographic Services Area through the Risk Organization. The Risk Organization also may include other, non-affiliated providers with which HSC and Tenet clinically integrate. The purpose of the Risk Organization is to manage increasing levels of risk of enrolled patient populations at participating locations within the Geographic Service Area, including managing such risk contracts with Medicare, Medicaid and other third party payers as maybe able to be negotiated by the Risk Organization. HSC and Tenet will be required to make cash capital contributions of equal value to the Risk Organization,*

*As established by the budget of the Risk Organization approved annually by Tenet and HSC. Each of HSC and Tenet will have a 50% ownership of the Risk Organization. The business of the Risk Organization will be predicated and conditioned on participating providers achieving a level of clinical integration that is sufficient to enable the assumption of risk of the cost of all or a portion of the provision of care as well as the opportunity to share in all or a portion of savings against specified benchmarks. There can be no assurance that the participating providers in the Risk Organization will attain such a level of clinical integration. Except pursuant to certain agreed-on purchase and sale options described in the Strategic Alliance Agreement, HSC may not withdraw or resign from the Risk Organization, or demand or receive a return of its capital contribution, without the consent of and except on the terms approved by Tenet. If the transactions contemplated by the Strategic Alliance are consummated, none of the Regional Provider Organization, its subsidiaries, the Risk Organization or any other relevant entities established under the terms of the Strategic Alliance Agreement would be members of the Obligated Group and their assets, liabilities and results of operations would not be reflected on the financial statements of HSC.*

This document details how the joint venture would be owned 80% by Tenet and 20% by YNH, how YNH must receive permission from Tenet if it wishes to acquire more hospitals, and how the geographic area of their joint venture is not limited to Waterbury Hospital or the I-84 corridor but all of Southern New England. Tenet is clearly looking to establish not just statewide but regional market dominance – and thereby reaping profits at the expense of consumers, ratepayers and taxpayers.

It is clear Tenet and Yale are seeking to obscure the scope and possible potential increase in costs and the decrease in access for patient care. These facts should be considered and the public has the right to know, as your agency determines how to proceed with this drastic change in the landscape of our State's health care system.

Sincerely,

A handwritten signature in blue ink that reads "Barbara Simonetta". The signature is fluid and cursive, with a large initial "B" and "S".

Barbara Simonetta

President, CHCA