



# STATE OF CONNECTICUT

DEPARTMENT OF PUBLIC HEALTH

*Office of Health Care Access*

September 10, 2014

**VIA U.S. AND ELECTRONIC MAIL**

Darlene Stromstad, FACHE  
President/Chief Executive Officer  
Greater Waterbury Health Network, Inc.  
64 Robbins Street  
Waterbury, Connecticut 06708

Trip Pilgrim  
Senior Vice President, Development  
Tenet Healthcare Corporation  
1445 Ross Avenue, Suite 1400  
Dallas, Texas 75202

**Re: Proposal for Joint Venture between Greater Waterbury Health Network, Inc. and Vanguard Health Systems, Inc. – OHCA Docket No. 13-31838-486 and Attorney General Docket No. 13-486-01**

Dear Ms. Stromstad and Mr. Pilgrim:

As you are aware, the Office of the Attorney General (“the OAG”) and the Department of Public Health, Office of Health Care Access (“OHCA”) will hold a public hearing on the above hospital conversion docket on October 15, 16, and/or 17, 2014.

In advance of the hearing, OHCA is issuing the attached interrogatories that must be addressed by the Applicants on or before October 6, 2014 at 5 p.m. Please provide written answers to these interrogatories by the due date by delivering one (1) complete hard copy and one (1) complete electronic copy to the following address:

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

and seven (7) complete hard copies and one (1) complete electronic copy to the following address:

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

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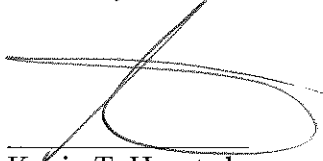
*(If you required aid/accommodation to participate fully and fairly, contact us either by phone, fax or email)*

410 Capitol Ave., MS#13HCA, P.O.Box 340308, Hartford, CT 06134-0308  
Telephone: (860) 418-7001 Fax: (860) 418-7053 Email: OHCA@ct.gov

In responding to an interrogatory, please repeat each question prior to providing a response. If a response is continued in an attachment or an appendix, the response must clearly list the page number of the attachment or appendix in which the response is continued. Conversely, the attachment or appendix should contain a page number reference to the original question.

Please contact Steven Lazarus at (860) 418-7012 if you have any questions concerning this request.

Sincerely,

A handwritten signature in black ink, appearing to read "Kevin T. Hansted". The signature is written over a horizontal line.

Kevin T. Hansted  
Staff Attorney

KH:cc

Enclosure

cc: Gary W. Hawes (via electronic mail)  
Ann Zucker (via electronic mail)  
Jeffrey M. Peterson (via electronic mail)

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## INTERROGATORIES

*Office of Health Care Access Docket Number: 13-31838-486*

*Attorney General Docket Number:13-486-01*

### **Proposal for Joint Venture between Greater Waterbury Health Network, Inc. and Vanguard Health Systems, Inc.**

1. How will the for-profit nature of Tenet affect the provision of health care in the community?
2. Understanding that the proposal under this docket and OHCA Docket No. 14-31927-486 (OAG Docket No. 14-486-02) is for Tenet to respectively exercise common ownership over VHS Waterbury Health System, LLC and VHS Saint Mary's Health System, LLC through, in the first instance, an 80-20 joint venture of VHS of Connecticut, LLC and a Yale-New Haven Health Services Corporation ("YNHHSC") affiliate and, in the second instance, through VHS of Connecticut alone, how will care be coordinated between the two acute care hospitals in the City of Waterbury? Please explain in detail the role YNHHSC will play in these efforts and provide any written plans documenting a coordinated approach to care for the patient population served.
3. Provide a description of the relationship between the proposal and the Statewide Health Care Facilities and Services Plan.
4. Describe how the proposal will improve quality, accessibility and cost effectiveness of health care delivery in the region with respect to the following:
  - a. provision of or any change in the access to services for Medicaid recipients and indigent persons; and
  - b. the impact upon the cost effectiveness of providing access to services provided under the Medicaid program.
5. Please describe any anticipated change to existing reimbursement contracts with payers (e.g., Medicare, Medicaid, commercial) as a result of the proposal. Is it assumed in the financial projections that VHS Waterbury Health System, LLC will willingly negotiate with the payers that Waterbury Hospital currently has contracts with?
6. Please provide a copy of Waterbury Hospital's IRS Form 990 for the 2013 tax year and with respect to the amounts listed on each line item within Part 1, Section 7 of Schedule H ("Financial Assistance and Certain Other Community Benefits at Cost"), provide a projected amount for each line item for the first three (3) tax years following the proposed asset purchase. Please note that it is understood that VHS Waterbury Health System, LLC will not file an IRS Form 990 following the asset purchase. This question

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is directed at determining the amount of programmatic and financial support that the new hospital will continue to provide in these community benefit categories. In providing this information, please elaborate on the specific activities included and how the projections demonstrate VHS Waterbury Health System, LLC's commitment to maintain and adhere to Waterbury Hospital's current policies regarding charity care, indigent care, community volunteer services and community outreach services or to adopt other policies that are at least as favorable to the community as Waterbury Hospital's current policies.

7. With respect to the amounts listed on each line item within Part II of Schedule H of Waterbury Hospital's IRS Form 990 for the 2013 tax year ("Community Building Activities"), provide a projected amount for each line item for the first three (3) tax years following the Asset Purchase. Please note that it is understood that VHS Waterbury Health System, LLC will not file an IRS Form 990 following the proposed asset purchase. This question is directed at determining the amount of programmatic and financial support that the new hospital will provide in these community building activity categories. In providing this information, please elaborate on the specific activities included and how the projections demonstrate VHS Waterbury Health System, LLC's commitment to maintain and adhere to Waterbury Hospital's current policies regarding charity care, indigent care, community volunteer services and community outreach services or to adopt other policies that are at least as favorable to the community as Waterbury Hospital's current policies.
8. Please discuss whether this proposal and the formation of VHS Waterbury Health System, LLC is expected to achieve an improved negotiating position with vendors and/or payers and, if such an improved negotiating position is anticipated, how it will translate into tangible savings for the consumer of health care services. Provide a response that both describes any anticipated improvements in detail and quantifies the expected results for the consumer.
9. Provide details of plans to be put in place to ensure the proposed health care services provided by VHS Waterbury Health System, LLC adhere to the National Standards on Culturally and Linguistically Appropriate Services (CLAS) to advance health equity, improve quality and help eliminate health care disparities in the projected service area. (For more details on CLAS standards see <http://minorityhealth.hhs.gov/Default.aspx#sthash.U320zUXq.dpuf>.)
10. What criteria will VHS Waterbury Health System, LLC use to offer current employees employment in the new entity? For those employees that will be employed by VHS Waterbury Health System, LLC, what is the projected difference in salary for current employees and similarly situated employees at other hospitals operated by Tenet in similar markets?

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11. Financial assumptions submitted to OHCA by the Applicant on June 27th, pages 9-11, indicated that the revenue projections include adjustments to known reductions in state Medicaid DSH payments and the updated Wage Index Factor as published by CMS in the proposed IPPS rule. According to the Applicant these adjustments have an unfavorable impact on FY 2015 and remain in the run rate thereafter. The Applicant also projected a reduction in other operating revenue due to the absence of Meaningful Use Income. In addition, based on these assumptions, Financial Attachments 1(A) and 1(B) submitted by the Applicant on August 19, 2014, Exhibits 5 & 6, indicated a loss from operations and a deficit by year 2017 with the proposal for the JV. In reference to these statements, respond to the following:

- a) What post-closing plans for GWHN and the JV have been made to account for the changes in state and federal hospital funding associated with the projected decrease in revenue, losses from operations and deficiency of revenues over expenses with the CON proposal?;
- b) What post-closing plans for the JV have been made to mitigate and/or eliminate any projected loss from operations and deficit beyond FY 2017?; and
- c) Indicate the year following FY 2017 in which the Applicant expects to break even as a result of this proposal and provide a table depicting the progress in its financial performance.

12. Reference is made to Exhibit 6 (Financial Attachment 1B for the total hospital health system with the CON and incremental to the proposal) attached to Applicants' submission received on August 19, 2014. For FYs 2015, 2016 and 2017 depicted therein please explain in detail:

- a) The major factors contributing to the losses projected for income from operations;
- b) The major factors contributing to the losses projected for non-operating income;
- c) Why CON approval for the proposal should be granted in view of the cumulative projected losses of more than \$12 million over the three-year projection period; and
- d) How Applicants plan to sustain the operations of VHS Waterbury Health System, LLC over the three-year projection period in view of such cumulative projected losses.

13. As a follow up to the Applicants' responses received on August 19<sup>th</sup> and as required by OHCA in question #11, provide for both the Hospital only and GWHN monthly financial statistics in the same format provided in Exhibit 9 as submitted on June 27, 2014 (FY 2014 current month and year-to-date, and comparable period for FY 2013) for the months of July, August and September. The following should be addressed in the financial measurements or indicators to be provided:

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**Monthly Financial Measurement/Indicators**

<b><u>A. Operating Performance</u></b>
Operating Margin
Non-Operating Margin
Total Margin
Bad Debt as % Gross Revenue
<b><u>B. Liquidity</u></b>
Current Ratio
Days Cash on Hand
Days in Net Accounts Receivables
Average Payment Period
<b><u>C. Leverage and Capital Structure</u></b>
Long-term Debt to Equity
Long-term Debt to Capitalization
Unrestricted Cash to Debt
Times Interest Earned Ratio
Debt Service Coverage Ratio
Equity Financing Ratio
<b><u>D. Additional Statistics</u></b>
Income from Operations
Revenue Over/(Under) Expense
Patient Cash Collected
Cash and Cash Equivalents
Net working Capital
Unrestricted Assets
Credit Ratings (S&P, FITCH and Moody's)

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