

**PULLMAN
&COMLEY_{LLC}**
ATTORNEYS

October 9, 2014

VIA HAND DELIVERY

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

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

**RE: Application of for Proposed Joint Venture of Greater Waterbury Health Network, Inc.
and Vanguard Health Systems, Inc. Office of Health Care Access 13-31839-CON Office
of Attorney General 13-486-01**

Dear Attorney Hawes and Mr. Lazarus:

Tenet Healthcare Corporation (“Tenet”) hereby submits the following Pre-Filed Testimony:

- Harold H. (“Trip”) Pilgrim, III, Senior Vice President Development, Tenet Healthcare Corporation
- Erik G. Wexler, Chief Executive Officer, Northeast Region, Tenet Healthcare Corporation
- Kelvin A. Baggett, M.D., Chief Clinical Officer and Senior Vice President of Tenet Healthcare Corporation
- Octavio J. Diaz, M.D., Chief Medical Officer, Northeast Region, Tenet Healthcare Corporation

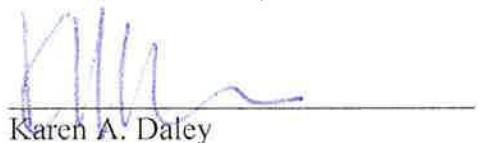
In addition, we are filing a letter of support from Mayor Neil O’Leary, Mayor of the City of Waterbury.

The original, four (4) hard copies and one (1) electronic copy of these filings will be hand delivered to Mr. Lazarus' office. One (1) hard copy and one (1) electronic copy will be hand delivered to Attorney Hawes' office.

Please contact me if you have any questions or need anything further. Thank you for your assistance in this matter.

Very truly yours,

Pullman & Comley LLC



Karen A. Daley

Enclosures

Certificate of Need Application for Proposed Joint Venture of Greater Waterbury Health Network, Inc. and Vanguard Health Systems, Inc.

**Office of Health Care Access
Docket No. 13-31839-CON**

**Office of Attorney General
Docket No. 13-486-01**

Hearing Date: October 15, 2014

Pre-Filed Testimony of Harold H. (“Trip”) Pilgrim, III

Thank you for the opportunity to testify on behalf of the proposed joint venture (“Joint Venture”) between Vanguard Health Systems, Inc. (“Vanguard”) and Greater Waterbury Heath Network (“Waterbury Hospital”).

My name is Trip Pilgrim. I am the Senior Vice President for Development of Tenet Healthcare Corporation. I have also served as Senior Vice President and Chief Development Officer of Vanguard, which Tenet acquired in late 2013. I have responsibility for Tenet’s strategic transactions, including acquisition, divestitures and market development.

As a subsidiary of Tenet, Vanguard remains a separate corporate entity and continues to be one of the Applicants in these proceedings. I will refer to either Vanguard or Tenet as appropriate for the context.

Tenet is an investor-owned healthcare services company founded in 1976. Among other interests, Tenet owns and operates 80 acute-care hospitals in 14 states and 189 outpatient centers in 16 states. Tenet’s acquisition of Vanguard created the third largest investor-owned hospital company in the United States in terms of revenue, and the third largest with respect to the number of hospitals owned. At the time of its acquisition, Vanguard owned and operated 28 hospitals.

Tenet acquired Vanguard because Vanguard’s track record of success as a creative strategic partner working with complex urban hospital systems and the communities those

hospitals served, and its commitment to providing high quality care in a safe environment, while controlling costs, fits well with Tenet's own mission and business model. That mission is to improve the quality of life of every patient who enters our doors. Quality is at the core of everything we do and every decision we make. It is why our patients and physicians choose us. Quite simply, quality defines our future.

The new model of healthcare that is evolving from federal mandates, changes in healthcare technology, patient demands, and the ever-present need for cost containment is one that is moving from volume to value, where providers will no longer be paid strictly on the volume of patients they treat, but on the value of the healthcare they provide. This requires that physicians, hospitals and other healthcare facilities work together, and that all caregivers in a healthcare system align themselves on a continuum of care with the patients' wellbeing as the focus of that care. For example, all too often patients are treated in emergency rooms rather than clinics, either because there is a shortage of available clinics or referring physicians have not considered the clinic option. But, if care can be appropriately provided in a clinic rather than a hospital's emergency room, it is better for the patient in terms of time and access, and it is better for the healthcare system because the cost of care provided at the clinic is far less than the cost of the same care provided in a hospital emergency room. Likewise, freestanding ambulatory surgery centers have demonstrated significant cost savings compared to outpatient surgeries in a hospital setting, while at the same time proving popular with patients for their convenience and with surgeons for offering more reliable procedure scheduling. We need to view things differently, we need to move away from thinking about patients from the standpoint of procedures, DRG codes, and, frankly, turf, and consider a holistic model that results in better, less expensive care.

Tenet's business model has three principal elements. First, we employ innovative care delivery and payment models in hospitals and outpatient settings. These include a growing use of accountable care networks, bundled payment initiatives, and other value-based contracting approaches, which have improved quality and lowered the cost of health care for patients and third-party payers alike. When combined with a focused use of operational metrics, such as those overseen by Tenet's Performance Management and Innovation Department, and tailored

local programs that emphasize flexibility, collaboration, and improved communication, the results are highly beneficial for all participants.

Second, we attract the best talent in healthcare in order to deliver superior performance in clinical quality and safety. We can do this because our footprint allows us to offer physicians education and experience in virtually any specialty with the most advanced technology available. Our physicians teach one another, not simply within a single hospital but across our many facilities.

Third, we achieve greater efficiencies and economies of scale as a result of having a more expansive platform. For example, we can purchase many of our supplies at a much lower cost than other hospitals and hospital systems. We can streamline billing and increase collections by capturing the knowledge we gather at one hospital and sharing it with our other hospitals. Employing these best practices allows us to achieve greater economies of scale than what individual hospitals and smaller systems can accomplish on their own.

Tenet's business model typically involves a substantial investment of capital in the infrastructure of the hospitals we acquire and the communities we serve. Our experience is that the investment we make results in an improved quality of healthcare, decreased cost and, eventually, a return on our investment. We are able to make that investment because we are a \$17 billion revenue healthcare organization with the financial capacity to provide the capital necessary to address the challenges of today's healthcare industry.

Connecticut is of particular interest to Tenet not only because of its population density and patient demand, but also because there are several community hospitals within Connecticut, including Waterbury Hospital and Saint Mary's Hospital, that have recognized the need for a well-financed and experienced operating partner in order to remain strong and continue to fulfill their healthcare missions. This is what we do best -- pair our know-how and capital with local staff to make hospitals better and more effective at what they do.

We believe that there are other community hospitals in Connecticut that will need to be part of larger, better-capitalized organizations in order to remain viable in the future. We believe our size, resources and track record make us the best choice to partner with those institutions, ultimately creating a clinically integrated, value-based healthcare network. While those other community hospitals are not the focus of this hearing, we simply want to note that the value of our business model is not confined to a single institution; it can readily be applied for the benefit of other hospitals in the state and the communities they serve.

We were attracted to Waterbury Hospital not simply because of its strong reputation in the community as a full-service hospital. It has a well thought out geographical presence with affiliated locations in the surrounding area. Saint Mary's Hospital has many of the same attributes as Waterbury Hospital – a fine reputation, deep community ties, strong physician network and substantial patient following. Each hospital has the kind of foundation upon which we can build.

The proposed transaction is a joint venture between Waterbury Hospital and a Vanguard affiliate, which we refer to hereafter simply as "Vanguard." The terms of the transaction are set forth in a Contribution Agreement, an Operating Agreement, and a Management Agreement, the highlights of which are as follows:

Pursuant to the Contribution Agreement, as it is expected to be amended, Waterbury Hospital will contribute substantially all of its assets to a joint venture ("JV") to be formed between Waterbury Hospital and Vanguard. For its part, Vanguard will make a cash contribution to the JV equal to its share (80%) of the "Purchase Price" for Waterbury Hospital's contributed assets. The Purchase Price will be \$45 million plus or minus the amount by which the net book value of the Net Working Capital of Waterbury Hospital at the time of the closing of the transaction is greater or less than \$6.8 Million. The Purchase Price will also be subject to a reduction for the agreed-upon value of the asbestos abatement liability, pension liability, capital lease obligations and certain other liabilities of Waterbury Hospital assumed by the JV.

In consideration for the contribution of its assets to the JV, Waterbury Hospital will receive a 20% membership interest in the JV and cash equal to the amount of Vanguard's contribution. Vanguard will assume certain liabilities, and Waterbury Hospital will retain others. In addition, the JV will commit to expend not less than \$55 Million over a period of seven years on capital items and on the development and improvement of ambulatory services in the Greater Waterbury community.

A separate, to-be-formed medical foundation formed in accordance with the provisions of Public Act 14-168, will acquire the assets and assume the liabilities of Alliance Medical Group, Inc. ("AMG"), the tax exempt 501(c)(3) medical foundation that is a wholly owned subsidiary of Waterbury Hospital. AMG is the largest hospital-affiliated, multi-specialty group in the Waterbury area with more than 100 physicians and healthcare providers.

Let me emphasize that Vanguard is making its capital contribution in cash, and will not be taking on any of Waterbury Hospital's debt. Waterbury Hospital will be able to use that cash to retire those same debt obligations. Thus, the distressed financial situation Waterbury Hospital is now facing will be remedied, but not at the expense of Vanguard's ability to meet its other commitments in Waterbury and elsewhere.

The operations and governance of the JV are set forth in the Operating Agreement. Following the closing, the JV will be governed by a board of directors (the "JV Board"). The JV Board will have oversight and ultimate authority over the affairs of the JV. The JV Board will be composed of 12 Board members, 6 of whom will be elected or appointed by Waterbury Hospital and 6 of whom will be elected or appointed by Vanguard. As I noted, we value the partnerships we form with the hospitals we acquire.

The JV Board will be structured to allow Vanguard to consolidate the final results of the JV with the financial results of other Tenet subsidiaries in accordance with generally accepted accounting principles. Subject to these limitations, the JV Board will have responsibility for a range of matters that are spelled out in the Operating Agreement. The Chairman of the JV Board will serve for a single three-year term. The initial Chairman of the JV Board will be the

individual who is serving as Chairman of the Board of Waterbury Hospital at the time of the closing of the proposed transaction.

The JV Board will appoint a twelve-member local Board of Trustees to oversee the operating activities of Waterbury Hospital and its related facilities. At least six of the members of the Board of Trustees will be physicians from the active medical staff of Waterbury Hospital; the remainder of the members of the Board of Trustees will be local community leaders. The Board of Trustees will be responsible for (i) adopting a vision, mission, and values statement for Waterbury Hospital and its related facilities; (ii) monitoring performance improvement at Waterbury Hospital and its related facilities; (iii) granting medical staff privileges; (iv) assuring medical staff compliance with the requirements of The Joint Commission; (v) providing advice and consultation regarding physician recruitment efforts; and (vi) fostering community relationships and identifying service and education opportunities. We have adopted this structure because we recognize that our success is dependent on the community we serve and the front-line physicians who have direct, daily interaction with that community. It is a model that has served us well in many of our locations.

The JV will enter into a management agreement (the “Management Agreement”) with VHS Waterbury Management Company, LLC, a Tenet affiliate (the “Manager”), pursuant to which the Manager will be responsible for managing the day-to-day operations of the JV. Under the Management Agreement, the Manager will provide certain services to the JV, including, without limitation, (i) corporate oversight and operational support; (ii) reimbursement services; (iii) purchasing and supply chain services; (iv) business planning; (v) development support; (vi) quality and resource management support; (vii) human resources support; (viii) facility planning; (ix) legal services; (x) risk management support; (xi) compliance services; (xii) real estate services; and (xiii) information services support. The JV will pay the Manager a management fee equal to 2% of the consolidated net revenues of the JV. The management fee does not include the costs of insurance, information services, and certain other third party expenses more specifically delineated in the Management Agreement, all of which will be billed directly to the JV at Tenet’s cost.

The \$55 Million capital improvements commitment will be spent on maintaining the Waterbury Hospital and its related facilities and enhancing ambulatory services in the Greater Waterbury community. Following the JV closing, it is anticipated that the JV Board, hospital leadership and community physicians will engage in an assessment and planning process for the prioritization of capital investments that best secure Waterbury Hospital's future and meet the changing needs of the Greater Waterbury community. It should be noted that as part of the proposed transaction to acquire St. Mary's Hospital, Tenet plans on contributing an additional \$30 million over the next seven years. Whether it is \$55 million or \$85 million, this influx of capital will have a direct, positive effect on the hospitals by way of facility improvement, repair and expansion. And, it will have a general economic benefit for the entire Waterbury community through the ripple effect of the jobs created. We firmly believe that our commitment, coupled with the property taxes we will now be paying due to Tenet's for-profit status, will address many of Waterbury's other community needs beyond those related to healthcare. We have witnessed this happen in many of the communities we serve.

I should stress that most of Tenet's acquisitions have involved hospital systems that have had some degree of capital access problems. Our approach is to work closely with the management teams of the facilities to develop the right list of capital needs, projects and priorities. Contrary to what some of our detractors have suggested, we fully appreciate the importance of our capital commitments, and have a history of honoring them. For example, we acquired Detroit Medical Center in Detroit, Michigan in 2011. It was an institution in serious neglect, plagued by a troubled local economy. Working with the local management, we determined that we needed to commit a total of \$850 million over a six-year period, split between renovations, expansions and new projects (\$500 Million) and routine capital expenditures (\$350 Million) to get the hospital back to a functioning facility that we could then turn into something even greater. After a somewhat slow start as plans developed and changed, we are now halfway through the commitment period and have met every dollar of our spending obligations. The results have been dramatic. We built a new Children's Hospital, new emergency rooms, renovated the Rehabilitation Institute of Michigan, and constructed a new Heart Hospital that opened in July of this year. The six-story, 215,000-square-foot Heart Hospital has six cardiac catheterization labs, four new operating rooms and 25 recovery bays,

along with clinics specializing in heart valves, heart failure and atrial fibrillation. We have every hope that the new heart unit will move DMC to a premier position in the market.

A second example is Tenet's acquisition of Baptist Health Systems in San Antonio, Texas in 2003. Without the capital necessary to guaranty its operations, the quality of those operations was at risk. We committed to spend \$200 Million over a six-year period on capital improvements. We actually spent over \$400 Million, more than double the commitment, after we partnered with local management, physicians and community representatives to determine needs and priorities. Today, Baptist Health Systems is one of the most respected hospitals in Texas. Since 2003, Tenet has invested over \$1 Billion in the San Antonio market by, among other things: expanding North Central Baptist Hospital from 126 to 387 beds; entirely replacing one hospital, and expanding and renovating another; building a new medical office building; establishing an ambulatory care center in a satellite location; and opening five free standing emergency departments. Most tellingly, our investment has created the equivalent of 2000 new jobs.

Following the closing of the proposed transaction, it is anticipated that Vanguard's 80% interest in the JV will be transferred to a to-be-formed subsidiary of a regional provider organization that will be owned 80% by a Tenet affiliate and 20% by Yale-New Haven Health Services Corporation ("YNHHSC"). We have put this structure in place because we think it is important to partner with the YNHHSC, with its renowned physicians and involvement in cutting-edge research, medical technologies and treatments. Tenet intends to leverage its alliance with the YNHHSC to develop a clinically integrated value-based healthcare network in Connecticut as well as in other states.

To this end, on February 12, 2014, YNHHSC and Tenet entered into a strategic alliance agreement (the "Strategic Alliance Agreement"). The Strategic Alliance Agreement outlines the framework whereby the parties will create a comprehensive healthcare delivery network in Connecticut to enhance the efficiency and coordination of healthcare in the region by offering comprehensive clinical services to a larger geography, with the intention to possibly expand into the greater Northeast region. The Strategic Alliance Agreement is subject to numerous

contingencies and conditions, including any required regulatory approvals. The parties do not intend to consummate any of the transactions contemplated by the Strategic Alliance Agreement unless and until the parties complete the acquisition of one or more acute care providers in Connecticut. I should also make clear that we can succeed with our plans for Waterbury Hospital and Saint Mary's Hospital without the Strategic Alliance and YNHHSC, but the Strategic Alliance simply opens more doors for all involved: the hospitals, the physicians, and, most importantly, the patients.

I would like to close my remarks by addressing directly an issue that has been brought up by one of the intervenors – the issue of the well-publicized instances of Tenet's transgression of Medicare's complex rules and regulations. We operate in a highly regulated and litigious industry. As a result, it is not unusual for companies the size of Tenet to become involved in disputes, litigation and regulatory matters incidental to our operations, including governmental investigations, personal injury lawsuits, employment claims and other matters arising out of the normal conduct of our business. As is the case with large companies in other highly regulated industries, we strive, not always fully successfully, to see that our people at all levels of the organization do the right thing and operate within the bounds of the rules as we understand them.

Some of the matters that have been brought forward relate to conduct alleged to have occurred in the 1990s and the early years of this century, under a substantially different management regime at Tenet. In addition to changes in management, there is now in place a robust compliance program, embodied in the Quality, Compliance and Ethics Program Charter, available on our website. As described in more detail in the attached addendum, our compliance program is structured to be independent of company management; the Ethics and Compliance Program is subject to annual internal audit; and ethics and compliance are built into the terms of employment of every Tenet employee. Some of the allegations are more recent, and, as to those, I can only say that we are defending the claims vigorously. And I think it is important to note that after a thorough review and vetting of these matters, the boards of Saint Mary's Hospital, Waterbury Hospital, and YNHHSC have made their own judgments as to Tenet's fitness for our role in these transactions, and they are very much looking forward to joining us in these endeavors.

Tenet Healthcare Corporation
Quality, Compliance, and Ethics Program

- Tenet's compliance program is structured to be independent.
 - The Chief Compliance Officer reports directly to the Quality, Compliance, and Ethics Committee of Tenet's Board of Directors (since January 2004). Note: Eight out of nine board members are independent directors.
 - The program has its own operating budget, as well as authority to hire outside counsel, if deemed necessary (since January 2004).
 - Each Tenet facility and business unit has a designated compliance officer who reports directly to the Compliance Department.
- The scope and structure of Tenet's compliance program is set forth in the Quality, Compliance and Ethics Program Charter (available on Tenet's website).
 - Changes to the program cannot be made without the approval of the Quality, Compliance, and Ethics Committee of Tenet's Board of Directors.
 - The Charter incorporates many of the elements from the Corporate Integrity Agreement.
- Tenet's internal audit department performs an annual effectiveness review of the Ethics and Compliance program.
 - This is reported to the Board each year.
 - Improvements are made to the program, as warranted, based on the results/recommendations.
- As a condition of employment, all employees are required to:
 - Abide by the Standards of Conduct (training and attestation taken within 30 days of employment).
 - Report potential compliance concerns to their supervisors, compliance officers, or the ethics hotline.
- Tenet ties employee compensation to ethics and compliance, at every level.
 - Every employee is annually evaluated on ethics and compliance.
 - Individual incentive compensation is modified for positive and negative behaviors in quality, compliance, and ethics.
- Tenet uses metrics to evaluate effectiveness.
 - Hospitals are evaluated on a hospital compliance scorecard.
 - Results are reported to the Quality, Compliance and Ethics Committee of the Tenet Board.

Certificate of Need Application for Proposed Joint Venture of Greater Waterbury Health Network, Inc. and Vanguard Health Systems, Inc.

Office of Health Care Access
Docket No. 13-31839-CON

Office of Attorney General
Docket No. 13-486-01

Hearing Date: October 15, 2014

Pre-Filed Testimony of Erik G. Wexler

My name is Erik Wexler. I am the CEO for the Northeast Region of Tenet Healthcare Corporation. I oversee the direction, strategy and operations of Tenet's hospitals and health care related services in Massachusetts, Illinois and Philadelphia. My presence here today represents something of a professional homecoming. I lived in Connecticut for 20 years, and I started my healthcare career in executive leadership at Waterbury Hospital in 1993. I spent seven years working there and another four years at MidState Medical Center, in Meriden. While I was at Waterbury Hospital, I had responsibility for securing the million-dollar contribution that laid the framework to create the Harold Leever Cancer Center, the first joint venture between Waterbury Hospital and Saint Mary's Hospital. I still have deep roots in the community and care very much about it. It would be a great honor and an outstanding opportunity for me, personally, to come back to Connecticut and Waterbury to help lead Tenet's ownership and management of the two hospitals that I know so well.

Waterbury Hospital and Saint Mary's Hospital present unique opportunities, individually and collectively. Both have a long-time presence in Waterbury; both have strong reputations. But the health care industry does not favor stand-alone providers, which have special challenges containing costs while delivering quality care. Without the approach that a national system of health care purchasers creates, independent providers struggle to be both effective and efficient while serving a limited population. Coordinating the delivery of care and reducing costs by rationalizing operational platforms makes infinite sense for all involved, most especially patients. I welcome the opportunity to work with both of these hospitals on designing new, integrated approaches to healthcare delivery that take advantage of the strengths of each institution.

The Northeast region of the country has been a focus of Tenet for a number of years. It is an area of the country that both needs and deserves a high-value healthcare network to meet its diverse healthcare needs. We have a substantial presence in Massachusetts, which is where I am based. Tenet owns a variety of health care facilities in the state, including three hospitals, two imaging centers, one radiation therapy center, a rehabilitation center, an infectious disease clinic, and a travel medicine clinic.

I am proud of the fact that our hospitals in Massachusetts are Tier One providers with every health plan. This means that the quality and cost factors of the hospitals define them as “high value,” placing them at the top of recommended hospitals by limited network health plans. One of our hospitals – Saint Vincent Hospital – is recognized year after year as a Top 100 Hospital and Top 50 Cardiovascular Hospital in the United States.

While I am discussing our Massachusetts operations, I would like to address two spurious claims that have been made about Tenet and Vanguard operations in Massachusetts. The first has to do with a claim of supposedly unsafe staffing. The MetroWest Medical Center maintains staffing levels based on patient acuity and census. While Saint Vincent Hospital has contractually based minimum staffing guidelines, we strive for a similar level of staffing at MetroWest even without a contractual agreement with the union to do so. More to the point, the focus of the discussion should be on quality of care and patient outcomes. Publicly reported data available on the medicare.gov website shows that MetroWest has better outcomes than its competitors, and most Massachusetts and national averages, across a wide variety of measures. To the extent comparisons of staffing levels are made with the broad category of hospitals in the Boston metropolitan area, such comparisons are not apt given the large number of academic medical centers and significant variations in acuity levels.

There also has been an unfounded accusation by the Massachusetts Nurses Association (MNA) concerning a possible move of the Saint Vincent Hospital geriatric psychiatric beds. Let me begin by saying that I respect the MNA and believe I have developed a good working relationship with them over the last three years. That said, I can speak directly to that claim

because I was the CEO at the time the decision was made to move the unit to the main campus. Initially, we had planned to move the unit to Athol Memorial, as well as establish a geriatric psych unit at Saint Vincent Hospital on the main campus. In conjunction with the Athol beds, this would have actually *increased* our overall bed count. We made the decision with the support of the Massachusetts Chapter of the National Association for Mental Illness, and we voluntarily involved the MNA to review the plan and give us feedback. Under my leadership, we subsequently made the decision to move the adult unit to the Hospital's main campus and not to Athol. We made this decision independently of, and without the intervention of, MNA. After making the decision to keep the beds on the main campus, I personally invited the MNA leadership into our boardroom at Saint Vincent to tell them about the change in direction. They were told that the change was mostly due to the fact that Athol was not able to proceed with us in setting up a unit at their facility and that we thought it would be better to put the unit on our own campus. They applauded our decision.

As the executive with primary responsibility for fulfilling Tenet's responsibilities if the Waterbury Hospital and Saint Mary's Hospital transactions are approved, you have my personal commitment that the result will be a stronger medical care system for the Waterbury area. As is also the case with Saint Mary's Hospital, Waterbury Hospital will remain a Connecticut hospital system with local board involvement and continued commitment to the well-being and healthcare needs of the citizens of the Greater Waterbury community. In this respect, let me address the clinical picture. The proposed transaction does not contemplate reductions in clinical services. To the contrary, our vision includes improvement and expansion of services and accessibility, including implementation of enhanced ambulatory care services and physical plant and equipment upgrades.

Through Tenet's access to capital, the JV will be able to attract and retain new medical staff members. We also intend to drive physician collaboration and alignment through physician leadership councils, training programs and participation in management. This is critical. As we mentioned earlier, coordinated care reduces costs. When physicians repeat tests, when multiple nurses perform redundant functions, when the left hand does not know what the right hand has done, patient care suffers and costs escalate. And, we firmly believe that physician participation

in management breeds an ownership mentality that redounds to the benefit of all involved. When you are responsible for the outcome of the decisions that are made you are even more determined to make the right decision.

Tenet also recognizes that the flow of on-site and off-site communication and collaboration between physicians, nurses and patients is essential to aligning the interests of all healthcare system constituents. Patients who suffer serious injuries or illnesses rarely start or stop their care at a hospital. To the extent the continuum of care for those patients can be seamless without repetitive procedures, with enhanced communication as to the symptoms being exhibited, with a clear understanding as to the care to be administered on discharge, patients benefit, costs are reduced, and overall satisfaction for a job well done delivers immeasurable but important benefits. We have addressed these issues in our facilities and have developed the means by which we facilitate and promote communication, such as standardizing health information technology.

The Hospitals will also realize quality-of-care improvements by incorporating Tenet's breadth of clinical knowledge and experience. We have taken our experience from other hospitals and designed best practices to address what are sometimes the simplest yet most elusive drivers of coSaint. By standardizing and adopting best practices, measuring the results and then adjusting practices as necessary, we improve overall quality and reduce variation. We have employed error prevention training for leaders, physicians and staff to reduce the frequency of costly mistakes (e.g., duplication of procedures simply because charts are not up-to-date). We have focused on the detection and classification of safety events through the use of technology. We have implemented company-wide initiatives to address patients' falls in our hospitals. And, we have standardized and implemented tools to support high reliability strategies and improve benchmarking.

Some of the improvements we hope to see immediately, and have seen in other hospitals we own, are:

- Reduction of readmissions through Community Based Care Transition Program (“CCTP”). There are multiple factors along the care continuum that impact readmissions, and identifying the key drivers of readmissions for a hospital and its downstream providers is the first step towards implementing the appropriate interventions necessary for reducing readmissions. CCTP seeks to correct deficiencies in the care continuum by encouraging the community to collaborate to improve quality, reduce cost, and improve patient experience;
- Significant reductions in hospital pressure ulcer rates through standardized assessment, risk stratification and concurrent process adherence;
- Development of a culture of safety, which reduces on-site injury to patients and employees and reduces costs;
- Comprehensive transformation of critical care service delivery through multidisciplinary teams of nurses, pharmacists, respiratory therapists, dieticians and intensivist co-management; and
- Increased preventive and primary care, including implementation of the programs identified in the Waterbury Community Health Needs Assessment.

The success of all these measures depends upon the people who work at Waterbury Hospital. We know how to run hospitals, we know how to improve care, we know how to manage risk, we know how to reduce costs -- but none of that matters if we do not have people devoted to those same goals. We know Waterbury Hospital, its physicians, nurses and administrative staff. They believe in this institution and Tenet does as well.

Finally, let me address another important point. Waterbury Hospital’s significant history of providing free and discounted care to low-income individuals will continue under the JV’s ownership, as Tenet believes that our hospitals have an obligation to provide care to those with the greatest need and the least ability to pay. The JV will provide the same charity care as is currently provided by Waterbury Hospital. In addition, the JV will comply with the Community Benefit Standard of IRS Revenue Ruling 69-545, as well as the provisions of Sections 501(r)(3)-(6) of the IRS Code with respect to, among other things, limiting amounts charged for emergency and other medically necessary services for those qualifying for financial assistance,

and forgoing extraordinary collection actions against individuals before determining whether they are eligible for financial assistance. The bottom line is that we are committed to serving the people of Waterbury and its surrounding towns, no matter how needy the patient.

Certificate of Need Application for Proposed Joint Venture of Greater Waterbury Health Network, Inc. and Vanguard Health Systems, Inc.

Office of Health Care Access

13-31839-CON

Office of Attorney General

13-486-01

Hearing Date: October 15, 2014

Pre-Filed Testimony of Kelvin A. Baggett

My name is Kelvin Baggett and I am the Chief Clinical Officer and Senior Vice President of Clinical Operations for Tenet Healthcare Corporation (“Tenet”). I submit this prefilled testimony in support of the certificate of need application for the proposed joint venture of Greater Waterbury Health Network, Inc. and Vanguard Health Systems, Inc.

My responsibilities at Tenet include accountability for clinical operations performance, including quality, safety, service and reducing clinical waste and variability within Tenet’s hospitals, outpatient centers and health plans. Together with the President of Hospital Operations, I am responsible for designing and executing strategies that enhance Tenet’s position as a leading value based provider of care. I am also responsible for creating leadership infrastructure for physicians, Tenet health plans, hospitals and outpatient facilities. Further, I provide leadership for clinical technology implementation, integration of care across the continuum and care innovation, including oversight for how and where Tenet will be positioned strategically and how Tenet deploys capital.

Since joining Tenet, I have been involved in Tenet’s quality program. The “Tenet quality program” is not a formal written document but numerous programs and services aimed at continuous quality improvement, supporting our mission of helping people live happier, healthier lives. Quality is one of Tenet’s core values and “at the core of everything we do and every decision we make.” Tenet’s approach to delivering quality is governed by four main themes: Outcomes, Quality, Service, and Safety. The healthcare industry is changing rapidly and Tenet has a plan to lead the charge by making safety, service and industry-leading clinical outcomes the cornerstones of our mission. We strive to achieve our goal by providing high-quality, high-value care backed by compassionate service, giving our caregivers the tools, technologies and

resources they need to deliver the best care possible and by always doing what's right for our patients, our employees and our communities. To that end, we have a variety of quality initiatives that range from clinical care improvements to reductions in hospital acquired conditions.

The quality initiatives at Tenet hospitals are driven by Tenet's hierarchy of clinical councils, which are representative bodies of physicians, nurses and other clinical staff (e.g., respiratory therapists and certified registered nurse anesthetists) in specific disciplines or domains. The clinical councils are designed to provide insight, perspectives and expertise that shape practice to make care more consistent with the best available evidence and clinical standards. The clinical councils also serve as a consistent and readily available avenue for Tenet leaders to access clinical insights.

At the top of the clinical council hierarchy is the Clinical Value Council whose function is to approve all standards set by the National Council ("Clinical Council"), ensure that standards that cross specialty lines are referred on to the other councils for customization, prioritize standards so that the most important ones are implemented first, sequence the implementation of standards so that facilities are not called upon to launch multiple implementations and determine whether the need exists for additional review by other bodies (e.g., legal). The Clinical Council was created specifically to: (i) allow all clinical practitioners a voice in the development of clinical standards of practice across all Tenet facilities; (ii) ensure that evidence based principles of care are utilized in the development of best practices; (iii) spearhead quality improvement activities; (iv) bring together practitioners from across the country and multiple practice environments; (v) afford clinicians the benefit of experts in analytics, order set development, finance, quality and other fields pertinent to the advancement of high standards of practice; and (vi) emphasize the importance of multidisciplinary, team-based care and the vital contributions needed from every relevant discipline within a service line.

The representatives of the Clinical Council are from each of the eleven corresponding Collaborative Committees (regional-based committees). The representatives in the Collaborative Committees are from each facility in each Collaborative region and focus on quality issues in

critical care, palliative care, hospital medicine, obstetrics and emergency medicine. The Collaborative Committees maintain bi-directional communication with the Clinical Council, such as communicating updates from the Clinical Council on clinical guidelines and standards that have been approved and providing feedback to the Clinical Council through 21-day comment periods and identifying key issues. The Collaborative Committees also address issues of local importance that may not require a national solution.

Several of the quality improvement initiatives that have been driven by the Clinical Council and are being deployed across the Tenet enterprise are described below:

Blood Utilization

Tenet's blood utilization initiative is one of several examples where Tenet is using data to reduce clinical variability and improve patient outcomes. Blood product administration can be lifesaving in the right circumstances, but we recognize that transfusions carry with it significant clinical risks beyond just transmission of infection. The latest literature notes many untoward after-effects of liberal transfusions, including increased mortality, longer length of stay, increased hospital acquired infections and even cancer recurrence. We have launched a comprehensive educational campaign for our clinicians and compiled a set of best practice guidelines to encourage the judicious use of blood products according to the latest available clinical literature.

By tracking utilization data, hardwiring the ordering process and building management structures around blood management, Tenet has demonstrated success in reducing transfusion variability by adhering to evidence based medicine. For example, nationwide, Tenet hospitals between January and April of 2014 transfused 53,820 units of packed red blood cells compared to 45,962 units of packed red blood cells transfused between May and August 2014, a reduction of 7,858 units or 15% in only four months. Additionally, the reduction in transfusion of packed red blood cells has resulted in a savings of \$1,964,500. The experience of Saint Vincent Hospital in Massachusetts in reducing the transfusion of packed red blood cells was positive. It

reduced the number of units of transfused packed red blood cells from 1,250 in the first quarter of 2012 to 1,125 units, or 10%, in the first quarter of 2014, resulting in a cost avoidance of \$123,533. Similarly, the Detroit Medical Center implemented blood management protocols to reduce the number of unnecessary packed red blood cell transfusions which had a savings impact of \$861,00 in FY2013. It is evident that the reduction in the unnecessary transfusion of packed red blood cells results from the implementation of best practices to guide clinical decision making. Implementation of best practices results in better quality care, lower mortality rates and a reduction in the cost of care, which benefits Tenet's patients.

Sepsis Patient Care

Sepsis is one of the most dangerous and difficult conditions to treat in health care. Sepsis results in prolonged hospital stays and the need for intensive care and contributes to approximately one-third of in-hospital deaths. Tenet has launched a comprehensive program aimed at early identification and optimal treatment of sepsis in our patient population. In its earliest beginnings, a pilot sepsis program was initiated at West Suburban Hospital in Chicago while it was still part of the Resurrection Health System. In July 2010, Vanguard Health Systems acquired West Suburban Hospital and expanded the sepsis initiative by implementing a resuscitation bundle and management bundle. West Suburban Hospital's compliance with these bundles resulted in an a reduction in the mortality rate from 16% in 2010 to 11% in 2011. In 2007, Suburban Hospital's sepsis mortality rate was 26%. The implementation of care bundles not only dramatically reduced mortality from sepsis, but reduced costs. Since that time, both Tenet and Vanguard and their subsequently integrated organizations have developed a comprehensive sepsis management plan based, in large part, on the success demonstrated at West Suburban Hospital.

Based on Tenet's comprehensive sepsis management plan, Baptist Health System in Texas experienced a similar reduction in mortality due to sepsis. In January 2013, Baptist Health System complied with the six hour sepsis care bundle 45% of the time and experienced an associated 22% mortality rate. Nine months later, Baptist Health System's compliance rate with

the sepsis care bundle was over 80% resulting in a reduction of the sepsis mortality rate to 12.5%.

In the first quarter of 2013, Saint Vincent Hospital in Massachusetts experienced a 17% mortality rate due to sepsis. Upon implementing care bundles for sepsis, Saint Vincent Hospital's mortality rate due to sepsis dropped to 12% in the first quarter of 2014. Detroit Medical Center also improved its outcomes for sepsis care after implementing Tenet's sepsis care bundles. For septic shock and severe sepsis, Detroit Medical Center, between 2012 and 2013, saw a decline in the mortality rate from 44% to 30% for septic shock and 15% to 10% for severe sepsis. Additionally, Detroit Medical Center realized savings of \$689,000 in laboratory, imaging and drug costs associated with the implementation of best practices for sepsis care.

System-wide, Tenet's current statistics for sepsis show that Tenet hospitals have implemented best practices for the early diagnosis and treatment of sepsis resulting in \$516,000 in supply savings and a reduction in 1,240 patient days. The mortality rate system-wide maintained a standard deviation of 0.19 before and after implementation of the sepsis best practices. Tenet will continue its efforts in reducing length of stay, mortality and costs associated with sepsis and beginning in FY 2015, Tenet will launch a system-wide rollout of a comprehensive toolkit so that all Tenet hospitals can benefit from these best practices. The sepsis care bundles focuses our health care providers on best practices for sepsis, including the right care at the right time. It not only improved care, but it resulted in significant cost savings.

Critical Care Initiatives

Between 2009 and 2013, Vanguard Health Systems introduced a comprehensive transformation of critical care (ICU) service delivery across all of its 28 hospitals. The program involved the appointment of intensivist medical directors in all ICU's, introduction of intensivist-

led multidisciplinary teams of nurses, pharmacists, respiratory therapists, dieticians and others as well as mandatory intensivist co-management of all ICU patients, all in keeping with established Leapfrog guidelines. The process for identifying which patients would most benefit from critical care services was examined to ensure this vitally important resource was being used in the most optimal way possible. New measurement systems were introduced to track organizational development, implementation of evidence-based best practices, quality outcomes and costs. The results indicated an across-the-board transformational shift in how critical care services are delivered with associated improvements in quality outcomes and reductions in unnecessary variable costs. This program is presently being extended across the Tenet system. For example, beginning in January 2011, Paradise Valley Hospital in Arizona implemented the intensivist program and the sepsis protocol approved by the Clinical Council. Paradise Valley Hospital went from a 60% mortality rate for severe sepsis and a 32% rate for septic shock to a 0% rate for severe sepsis and 18% rate for septic shock six months later.

Similarly, Baptist Health Systems after introducing intensivists to co-manage all patients, appointing ICU medical directors, organizing multidisciplinary teams, instituting daily rounds and applying evidenced-based best practices, was able to reduce mortality in all five of its hospitals below what was expected. The implementation of the best practices also resulted in a reduction of length of stay in the ICUs in all five hospitals below what was expected. Legacy Vanguard hospitals with ICUs that instituted ICU evidenced-based best practices also made significant improvements in the quality of care provided for sepsis, reduced mortality and lowered the cost of the care provided.

Sepsis can be a devastating condition to a patient and is challenging to treat successfully. Tenet has instituted evidence-based best practices at all of its hospitals around the country and has been successful in improving patient outcomes, reducing mortality, reducing ICU length of stay and realizing significant cost savings.

Reductions in Retained Surgical Items Initiative

In 2013, Tenet teamed with a national expert on retained surgical item prevention and created a retained surgical item program for Tenet with phase one interventions focused on reduction of retained surgical sponges. For a rolling four quarters, 2012 to 2013, retained surgical items of any type were reduced 25% and retained sponge cases were reduced 57%. The program also targets reduction of waste in the number and type of sponges used during a patient procedure. In 2014, the program will be expanded to the newly acquired Tenet facilities and will focus on the reduction of retained guide wires and other types of retained surgical packing and instruments. It is evident that Tenet's commitment to providing safe quality care knows no bounds, including the retention of outside experts when needed.

Comprehensive Unit Based Safety Program (CUSP)

In 2013, the CUSP collaborative targeted a reduction of central line associated blood stream infections (CLABSI). Forty-two hospitals participated in the six month long collaborative focused on reducing these infections in at least one intensive care unit. In 2014, Tenet is expanding the CUSP collaborative to include all intensive care units and will be opening the project to recently acquired Tenet facilities. A focus group of facilities also will be applying principals learned in the CUSP collaborative to reduce Catheter Associated Urinary Tract Infections (CAUTI) in their facilities. This program enlists point of care staff in changing practice at the bedside to reduce these events.

Falls

In 2013, patient safety programming focused on improving the reliability of interventions for the high risk fall patient. Total falls were reduced 6% and falls resulting in any level of injury were reduced 13% for a rolling four quarters, 2012 to 2013. After the implementation of interventions to prevent falls at Saint Vincent Hospital in Massachusetts, the falls with injury rate per 1000 patient days was reduced from 0.53 in July 2013 to 0 by August 2014. Even though Tenet hospitals' improvement in reducing falls is noteworthy, Tenet is committed to doing even better. Throughout the remainder of 2014, the focus will be on refining interventions for the high risk patient as well as a pilot program for an electronic guardrails product in Tenet's Central

Region. The reduction in falls will improve the patient experience, reduce unexpected treatments related to injuries from falls, improve quality and reduce the costs associated with falls resulting in injuries.

Pressure Ulcers

Tenet's company-wide initiatives around pressure ulcers have focused on high reliability approaches to transforming care including prevention, process measures, adoption of leading practice outcomes and innovation. The initiatives include standardized assessment, risk stratification and concurrent process adherence. In 2013, pressure ulcers (all stages hospital acquired) were reduced by 19% from calendar year 2012-2013. Tenet is committed to reducing the incidence of pressure ulcers even more. Beginning in 2014, the Wound Champion Group began implementing a linen reduction program, Right Linen, Right Patient, which will further reduce the incidence of pressure ulcers as well as reduce the costs associated with treatment for pressure ulcers.

Waterbury Hospital and Saint Mary's Hospital, as Tenet hospitals, will be included in these many quality initiatives that are critical to improving patient care. The practitioners at both hospitals will have a unique opportunity to collaborate with colleagues at other Tenet hospitals and share best practices all aimed at continuing to improve patient care and reduce costs. Further, the patients at both hospitals will benefit significantly not only from this collaboration, but also from Tenet's robust quality program, innovations in clinical care and reducing common hospital events and acquired conditions. Tenet is looking forward to partnering with Waterbury Hospital and Saint Mary's Hospital in continuing to improve and provide outstanding care to the patients of both hospitals and to the residents of the greater Waterbury community.

Certificate of Need Application for Proposed Joint Venture of Greater Waterbury Health Network, Inc. and Vanguard Health Systems, Inc.

Office of Health Care Access

13-31839-CON

Office of Attorney General

13-486-01

Hearing Date: October 15, 2014

Pre-Filed Testimony of Octavio J. Diaz

My name is Octavio Diaz and I am Tenet Healthcare Corporation's ("Tenet") Chief Medical Officer for the Northeast Region. I submit this prefilled testimony in support of the certificate of need application for the proposed joint venture of Greater Waterbury Health Network, Inc. and Vanguard Health Systems, Inc.

My responsibilities at Tenet include overseeing clinical care and improvements, and the hospital based Chief Medical Officers for the Northeast Region.

The "Tenet quality program" is not a formal written document but numerous programs and services aimed at continuous quality improvement, supporting our mission of helping people live happier, healthier lives. The components that comprise the Tenet "quality program" include company initiatives driven by Tenet's Clinical Councils, including patient safety initiatives and compliance with core measures.

Core measures are standardized best practices developed by The Joint Commission and the Centers for Medicare and Medicaid Services ("CMS") and are designed to improve patient care. To receive full reimbursement from Medicare, hospitals in the United States are required to report how often their patients receive best practice care, as defined by the core measures. The reportable core measures include treatment of the patients with acute myocardial infarction,

heart failure and pneumonia and another called the surgical care improvement project (“SCIP”). Tenet’s goal is for each of its hospitals to reach 98% compliance with each core measure.

Another quality measure that is required by CMS to be reported by U.S. hospitals is the 30-day risk adjusted readmission rate. The 30-day readmission measures are estimates of unplanned readmissions for any cause to any acute care hospital within 30 days of a patient’s discharge from an inpatient hospitalization. CMS chose to measure unplanned readmissions within 30 days, rather than over longer periods because readmissions over longer periods may be impacted by factors outside hospitals’ control such as other complicating illnesses, patients’ own behavior, or care provided to patients after discharge. Hospitals report on unplanned readmissions for acute myocardial infarction (“AMI”), heart failure, pneumonia, hip/knee replacement and an overall rate of unplanned readmission after discharge from the hospital.

All Tenet hospitals report core measures. Most of Tenet’s hospitals are at or close to the 98% compliance rate for core measures. Tenet has been particularly successful in improving newly acquired hospitals’ core measure scores, as discussed below. For example, since joining Tenet, core measure compliance for Baptist Health System in Texas (5 hospital system), acquired by Tenet in October 2003, Detroit Medical Center in Michigan (8 hospital system), acquired in January 2011 and Valley Baptist Hospital (2 hospital system) acquired in October 2011, have shown improvement in the most recent reporting period.

Acute Myocardial Infarction.

The AMI core measure encompasses a number of measures including aspirin administration at arrival, aspirin prescribed at discharge, administration of an ACE inhibitor for left ventricular systolic dysfunction, adult smoking cessation advice/counseling, beta-blocker prescribed at discharge, beta-blocker administration at arrival, primary percutaneous coronary intervention within 90 minutes of arrival and AMI 30-day mortality. The measures, although seemingly simple to implement are actually quite difficult. The AMI core measures require education and training of various health care providers in various departments, including physicians, nurses, social workers and pharmacists in the emergency room, acute care floors,

intensive care units and the interventional cardiology suite. Tenet, as is the case with other hospitals, not only had to educate its health care providers about the interventions and requirements of the AMI core measures, but it also had to develop evidence-based processes that would ensure compliance and would improve the quality of care provided in Tenet hospitals.

Tenet's evidence-based methodologies and processes and its ability to effectively communicate those methodologies and processes nationwide to achieve compliance and improvement in care is outstanding, as evidenced by the improvement in core measure scores in newly acquired hospitals. For example, in 2003 before Baptist Health System was acquired by Tenet, its compliance with the AMI core measures was 54%. Within two years after becoming a Tenet hospital and employing Tenet's evidence-based methodologies and processes for compliance with the AMI core measures, its compliance increased to 70%. Currently, and for the past three years, as Baptist Health System continued to employ Tenet's methods and processes, its compliance has soared to 98%. Valley Baptist Hospital's compliance with AMI core measures was 92% before Tenet's acquisition. Within two years after Tenet's acquisition and after Valley Baptist Hospital began to implement Tenet's processes for AMI core measure compliance, it has increased its compliance to 94%. Detroit Medical Center's compliance with the AMI core measures before Tenet's acquisition was 94% and in 2013 has improved to a compliance rate of 95%. Tenet believes that Valley Baptist Hospital's and Detroit Medical Center's compliance with the AMI core measure will continue to improve as the Tenet evidence-based methods and processes for compliance become hardwired into their systems.

Heart Failure.

The heart failure core measure includes measures of compliance with discharge instructions for patients with heart failure, evaluation of left ventricular systolic function, administration of an ACE inhibitor for left ventricular systolic dysfunction, adult smoking cessation advice/counseling and the heart failure 30-day mortality rate. Similar to the AMI core measures, Tenet had to educate its staff in all hospitals on the heart failure core measures and develop and implement best practice strategies and processes to ensure compliance and improve the care that heart failure patients receive. Tenet's best practice strategies and processes were

successful. Baptist Health System's compliance with the heart failure core measures in 2003 was only 20%, which is far below Tenet's expectations for compliance. Tenet was equally concerned about the quality of care being delivered to heart failure patients at Baptist Health System. With the assistance of Tenet and implementation of Tenet's processes for compliance, Baptist Health System is now at 93% compliance, but Baptist Health System still has work to do. Baptist Health System will continue to evaluate its processes to attain the goal of 98% compliance with the continued assistance of Tenet's Clinical Councils and by continuing to collaborate with its colleagues within the Tenet system.

Valley Baptist Hospital's compliance with the heart failure core measure prior to Tenet's acquisition was at 97%, which shows a true commitment to the care provided to heart failure patients. After Tenet's acquisition and employing the Tenet strategies and process for compliance, Valley Baptist Hospital has maintained its compliance of 97% for the last reporting period. Similar to Valley Baptist Hospital, Detroit Medical Center's compliance with the heart failure core measures before Tenet's acquisition was 95%, but needed some improvement. Detroit Medical Center under the guidance of Tenet, has improved its compliance with the heart failure core measures to 97% in the last reporting period. Tenet is pleased with the heart failure core measure scores for Valley Baptist Hospital and Detroit Medical Center and expects those scores to increase with Tenet's continuous evaluation of, and assistance in, implementing processes to improve compliance and quality.

Pneumonia.

The pneumonia core measure looks at oxygen assessment, administration of pneumococcal vaccination, blood cultures performed in the emergency department prior to initial antibiotic administration, adult smoking cessation advice/counseling, initial antibiotic administration within 6 hours of hospital arrival, appropriate initial antibiotic selection, influenza vaccination and pneumonia 30-day mortality rate. Like the core measures above, Tenet thoughtfully considered the best and most efficient way to ensure that quality care for pneumonia, defined by the core measures, was delivered to the patients in all of its hospitals. Once again, Tenet was able to develop an educational program and effective processes for

achieving compliance in pneumonia core measures. Baptist Health System's compliance with the pneumonia core measures in 2003 was 30%, again, far below Tenet's expectations. After its acquisition by Tenet, Baptist Health System was able to greatly improve its compliance and deliver a higher quality of care to its pneumonia patients due to implementation of Tenet's evidence-based methods and processes. Baptist Health System's scores steadily improved and have remained steady at 97% compliance in the last reporting period. Valley Baptist Hospital's compliance with the pneumonia core measures, before it was acquired by Tenet, was 91%, which is satisfactory, but short of Tenet's goal of 98% compliance. Valley Baptist Hospital diligently worked towards implementing Tenet's methods and process for the pneumonia core measures and its compliance rose to 96% in the last reporting period. Detroit Medical Center's compliance with the pneumonia core measure was 96% before it was acquired by Tenet. Although Detroit Medical Center's compliance with the pneumonia core measures was respectable, it could do better. It implemented the Tenet strategies and methods for achieving compliance and increased its compliance and met Tenet's goal of 98% in the last reporting period. Each of these hospitals and all hospitals in the Tenet system know that attaining or exceeding core measure scores is critically important because it directly correlates with improvement in the quality of care that is provided. Tenet's commitment to quality care is what drives each hospital to continue to strive to do better.

Surgical Care Improvement Project ("SCIP").

In 2006, hospitals were required to report SCIP measures, which include measures of prophylactic antibiotic received one hour prior to surgical incision, prophylactic antibiotic selection for surgical patients, prophylactic antibiotics discontinued within 24 hours after surgery end time, surgery patients with recommended venous thromboembolism prophylaxis ordered and surgery patients who received recommended venous thromboembolism prophylaxis within 24 hours prior to surgery to 24 hours after surgery. Compliance with SCIP core measures has a heightened degree of difficulty, as it requires that certain interventions be administered within a narrow timeframe and clearly documented to show that the interventions were delivered or discontinued at the right time. Tenet developed education, processes and documents to ensure compliance with the SCIP core measures with the assistance of the Clinical Council. Tenet's

ability to improve hospitals' performance in SCIP core measures is outstanding. Baptist Hospital System had a 65% compliance rate in 2006. Baptist Hospital System implemented those processes and, in the last reporting period, had a 97% compliance rate. Valley Baptist Hospital, before Tenet's acquisition, had a 94% compliance rate with the SCIP measures and after receiving education and training on the processes and using the specially designed forms, Valley Baptist Hospital achieved a 96% compliance rate in the last reporting period. Detroit Medical Center had a 95% compliance rate before Tenet's acquisition and, after receiving education and training on the processes and using the specially designed forms, Detroit Medical Center reached a compliance rate of 99% in the last reporting period. Continued compliance with Tenet's methods will ensure that Tenet hospitals will continue to improve their compliance with SCIP core measures or maintain or exceed the goals of 98% compliance.

Readmission.

Tenet measures readmission rates at all 80 of its hospitals and reports them to CMS. The Readmission Advisory Committee of Tenet's Clinical Council was tasked with improving readmission rates and transitions in care across all Tenet healthcare communities. The Committee's mission was to provide patient-centered care, to provide the best care available to obtain an optimal outcome for the patient, provide care at the right place to meet the individual patient's needs and provide care with the right care delivery team. The Committee focused on four core strategies to reduce the readmission rate: (i) patient and provider risk stratification and intervention; (ii) targeting the leading cause of readmission – medication non-adherence; (iii) ensuring that patients successfully transition to community care; and (iv) improving post-acute care interaction and management, involving alignment with providers across the continuum of care. By implementing the core strategies, Tenet has been able to reduce readmissions and avoid being assessed the highest penalties by CMS for readmissions. For example, in 2013, seven Tenet hospitals were not assessed a penalty for readmissions and in 2014, eleven hospitals were not assessed a penalty.

Tenet's reduction in penalties it pays for readmissions is the direct result of fewer readmissions. Detroit Medical Center had a combined readmission rate in January 2013 of 25%.

With Detroit Medical Center's increasing compliance with core measures and implementing the processes for reducing readmissions, Detroit Medical Center's combined readmission rate fell to 17% by June 2014. As Tenet continues to roll out processes and tools to reduce hospital readmissions, readmissions at Detroit Medical Center and throughout the Tenet system will continue to decline. The savings from reduced penalties and avoidance of the costs associated with readmissions can be reinvested into the system to enhance Tenet's already robust quality program that will result in continued improvement in the quality of care delivered and a reduction in costs associated with the delivery of care.

Tenet's quality program is designed to ensure that the best quality care is provided at all of its hospitals. As newly acquired hospitals, Waterbury Hospital and Saint Mary's Hospital will benefit from Tenet's standardized quality program for improving compliance with core measures, reducing readmissions and collaborating with colleagues at other Tenet hospitals across the nation. As Tenet hospitals, Waterbury Hospital's and Saint Mary's Hospital's compliance with core measures will continue to improve and readmissions will decrease, which will translate into better quality of care provided at both hospitals and in the greater Waterbury area.

NEIL M. O'LEARY
MAYOR

JOSEPH A. GEARY
CHIEF OF STAFF



OFFICE OF THE MAYOR
THE CITY OF WATERBURY
CONNECTICUT

October 8, 2014

The Honorable George Jepson
Attorney General
55 Elm Street, P.O. Box 120
Hartford, CT 06141-0120

Lisa A. Davies, MBA, BSN, RN
Deputy Commissioner
Connecticut Department of Health
Office of Health Care Access
Department of Public Health
410 Capitol Avenue, MS # 13HCA
P.O. Box 340308
Hartford, CT 06134-0308

**Re: Certificate of Need Application for Proposed Joint Venture between
Greater Waterbury Health Network, Inc. and Vanguard Health Systems,
Inc.**

OHCA Docket. No. 13-31838-CON / OAG Docket No. 13-486-01

Dear Deputy Commissioner Davis,

I write in support in support the proposed joint venture between Greater Waterbury Health Systems, Inc. and Vanguard Health Systems, Inc. (a subsidiary of Tenet Healthcare Corporation), a project that will greatly benefit the Waterbury community and that deserves your approval.

As the Mayor of Waterbury, I am very familiar with the issues facing The Waterbury Hospital and Saint Mary's Hospital, as well as the health care needs of the Greater Waterbury community. I am close to the staffs of both hospitals.

Both hospitals are under increasing financial pressure, with decreasing reimbursements and access to capital becoming more difficult. Both have assumed significant financial obligations. Meanwhile, the health care needs of Greater Waterbury have continued to grow.

City leaders, myself included, have been concerned for years about the sustainability of two hospitals in a city the size of Waterbury, and the risk of losing the ability to serve our population. Such concerns matter not only from a delivery of health care standpoint, but also from an economic standpoint. For years, as two of the City's three largest employers, these hospitals have been dominant economic drivers for the City. We want that to continue.

When I learned that The Waterbury Hospital and later, Saint Mary's, planned to enter into transactions with Vanguard and Tenet, I learned all I could about the transactions and about the companies. I wanted to make sure that regardless of whether it was a for-profit or not-for-profit entity, Tenet was committed to delivering the highest quality of health care to the citizens of Waterbury and the surrounding towns, including meeting the needs of our Medicare, Medicaid and uninsured patients and, in the case of Saint Mary's Hospital, doing so in a manner that is consistent with the Catholic principles that govern that institution.

As part of my due diligence, I travelled to Dallas in June to meet with the senior management of Tenet. We had very productive conversations about the future of the hospitals in Waterbury, the delivery of affordable quality health care to all residents in our community and Tenet's expected capital investment in my city, and I am now assured that they will do the right thing for the community. I spoke with the officers of The Waterbury Hospital and St. Mary's Hospital, who confirmed that the affiliation with Tenet was in the best interest of both hospitals and the community at large.

I also travelled to Worcester, Massachusetts to meet with the regional management of Tenet and to tour St. Vincent Hospital, which had become a member of Tenet Health. I witnessed first-hand the positive impact of Tenet's significant capital investment in the hospital facility. I also had the opportunity to speak with a number of employees who expressed positive feelings about the hospital's association with Tenet.

As a result, I have concluded that Tenet is the right answer for our community. Tenet is a large health care provider that owns and operates 80 acute-care hospitals in 14 states, and is well positioned to address the capital needs of both Waterbury hospitals. It knows how to operate hospitals efficiently so that there are resources available to provide the best care possible. Its track record of rebuilding similar institutions throughout the United States speaks for itself. And its commitment to invest \$85 million to improve the hospitals over the next seven years means that the hospitals will be able to maintain their prominence and continue to meet the health care needs of Waterbury's citizens for many years to come.

Tenet is making a commitment upon which Waterbury can rely. I urge you to grant this Application.

Very truly yours,

A handwritten signature in black ink, appearing to read "Neil M. O'Leary".

Neil M. O'Leary
Mayor of the City of Waterbury