

**Department of Public Health
Office of Health Care Access
Certificate of Need Application**

Final Decision

Applicants: Saint Francis Care, Inc.
114 Woodland Street, Hartford, CT 06105

Trinity Health Corporation
20555 Victor Parkway, Livonia, MI 48152

Docket Number: 15-31984-CON

Project Title: Transfer of Ownership of Group Practices from Saint Francis Care, Inc. to Trinity Health Corporation

Project Description: Saint Francis Care, Inc. (“SFC”) seeks authorization to transfer ownership of five group practices to Trinity Health Corporation (“Trinity”).

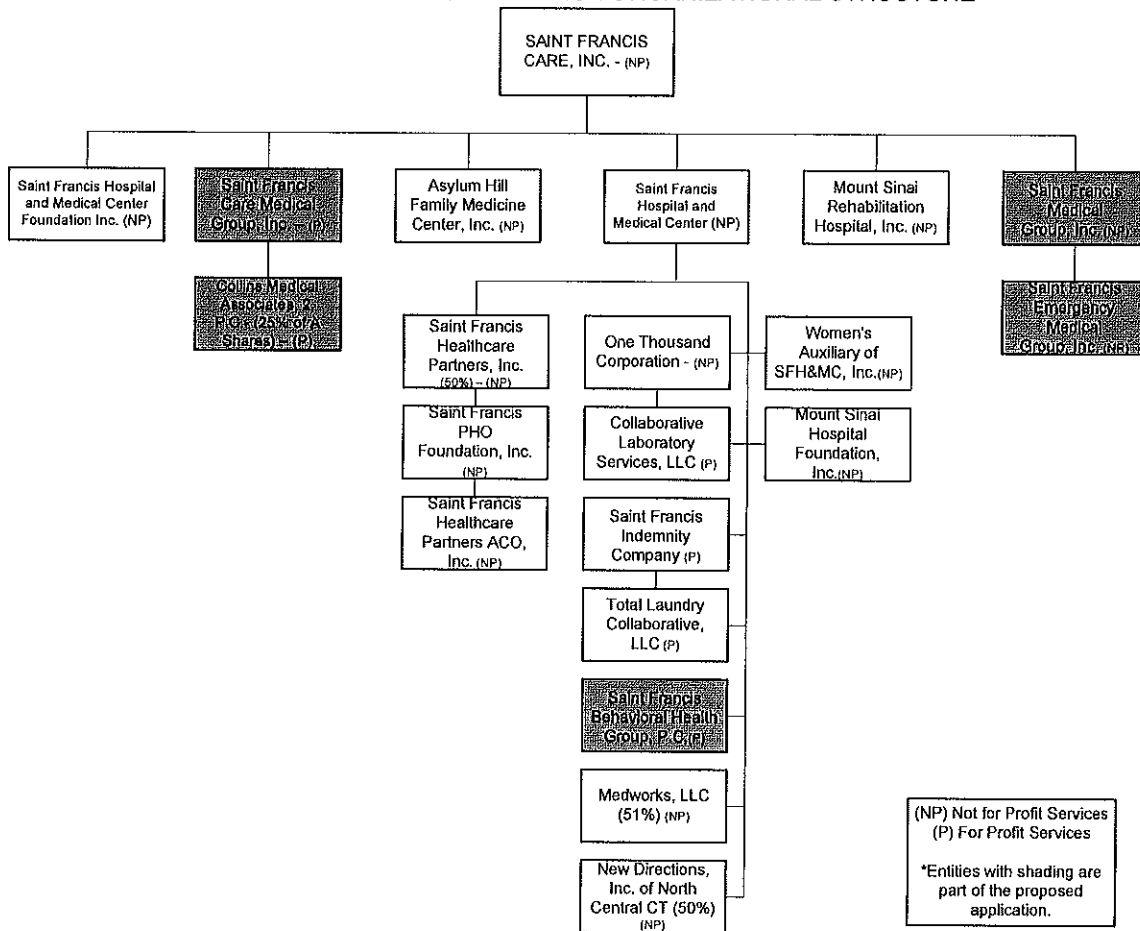
Procedural History: The Applicants published notice of their intent to file the Certificate of Need application in the *Hartford Courant* on January 24, 25 and 26, 2015. On March 6, 2015, the Office of Health Care Access (“OHCA”) received the initial Certificate of Need application from the Applicant for the above-referenced project. OHCA deemed the application complete on August 24, 2015.

OHCA received no responses from the public concerning the Applicants’ proposal and no hearing requests were received from the public per Connecticut General Statutes § 19a-639a(e). In rendering her decision, Deputy Commissioner Brancifort considered the entire record in this matter.

Findings of Fact and Conclusions of Law

1. Saint Francis Care, Inc. (“SFC”) is a non-profit integrated Catholic health care delivery system in central Connecticut. Ex. A, pp. 9, 25.
2. Trinity Health Corporation (“Trinity”), an Indiana nonprofit corporation, is a Catholic health care system that operates in 21 states and provides a range of health care facilities and services including acute care hospitals, home health care and hospice agencies, continuing care facilities and programs for all-inclusive care for the elderly. Ex. A, p. 49.
3. OHCA authorized Trinity’s acquisition of SFC on August 31, 2015 to become a regional health ministry. Ex. A, p. 10; OHCA Docket Number 15-31979-CON.
4. As a result of the hospital acquisition, Trinity and SFC (collectively referred to herein as “Applicants”) propose a transfer of ownership of the following group practices (collectively referred to herein as “Group Practices”) from SFC to Trinity:
 - Saint Francis Medical Group, Inc.
 - Saint Francis Care Medical Group, P.C.
 - Saint Francis Behavioral Health Group, P.C.
 - Saint Francis Emergency Medical Group, Inc.
 - Collins Medical Associates, 2, P.C.Ex. A, p. 10; Ex. G, p. 2.
5. The current organizational structure of the Group Practices in relation to SFC is shown below. Entities shaded in grey are the Group Practices to be transferred as a result of this proposal.

TABLE 1
SFC's CURRENT GROUP PRACTICE ORGANIZATIONAL STRUCTURE



Ex. A, pp. 45, 25.

6. This proposal was the result of a voluntary offer for sale and all of the Group Practices submitted letters indicating their support for the transfer of ownership of each group to Trinity. Ex. A. pages 10 & 11
7. There will be no change to the clinical services offered by or direct management of the Group Practices as a result of the transfer of ownership. Ex. A. p. 10.
8. The Group Practices will gain economies of scale resulting from their affiliation with Trinity, enabling them to acquire innovations such as a unified technological system. This, in turn, will benefit the population served by the Group Practices. Ex. A, p. 22.
9. The Group Practices will have access to Trinity's Physicians Network Operations programs which provide services such as the standardized Press-Ganey benchmarking

tool and methodology to measure, report and improve patient experience. Ex. A. p. 16;
Ex. C. p. 753.

10. The Group Practices will have access to Trinity's physician recruitment department, enhancing SFC's ability to attract and retain physicians to meet the needs of the service area populations. Ex. A. p. 12,16
11. The proposed transfer of ownership will have no impact on continuity of services since the transaction will be occurring at the corporate membership level and the availability of services provided by the Group Practices will not be affected. Ex. A. p. 18
12. There are no planned changes in price structure as a result of this organizational change. Ex. A. p. 23

13. The Applicants reported the following historical volumes for fiscal years (“FY”) 2012-2015:

TABLE 2
SFC’s GROUP PRACTICE’S HISTORICAL UTILIZATION BY SERVICE

Service	TYPE	Actual Volume (Last 3 Completed FYs)*			CFY Volume
		FY 2012	FY 2013	FY 2014	FY 2015
Saint Francis Medical Group					
Cardiovascular	Visit	54,630	61,167	63,434	65,256
Emergency Medicine	Visit	158	129	115	115
Medicine	Visit	93,877	112,511	125,960	134,109
Oncology	Visit	20,972	22,309	22,371	23,903
Phys Med & Rehab	Visit	12,967	12,744	13,995	15,396
Primary Care	Visit	11,873	10,285	8,597	11,810
Surgery	Visit	37,669	41,981	54,331	69,789
Women & Infants	Visit	51,986	52,422	56,658	57,519
All Other	Visit	235	413	2,684	2,744
Saint Francis Emergency Medical Group					
Emergency Medicine**	Visit	76,369	74,799	74,977	75,127
Saint Francis Care Medical Group					
Primary Care	Visit	11,993	8,480	8,924	9,102
Pathology	Specimen	90,270	90,555	82,124	82,288
Saint Francis Behavioral Health Group					
Psychiatry	Consults	14,886	19,204	18,878	20,010
	Visit	20,968	22,137	24,266	27,177
Collins Medical Associates, 2, P.C.					
Primary Care	Visit	166,707	161,572	161,198	152,503
TOTAL***		575,290	600,153	636,388	664,560

* The fiscal year is from October 1 to September 30; Collins Medical Associates is calendar year.

** Saint Francis Emergency Medical Group volume excludes Medicaid. Per Department of Social Service regulations the hospital (Saint Francis Hospital and Medical Center) must bill Medicaid for ER Physician visits

*** Total excludes Pathology Specimens

Ex. A, p. 734; Ex. I.

14. The Applicants project an increase in overall volume from FY16 through FY18:

TABLE 3
SFC'S PHYSICIAN MEDICAL GROUPS' PROJECTED UTILIZATION BY SERVICE BY FISCAL YEAR

Service	TYPE	Projected Volume**		
		FY 2016*	FY 2017	FY 2018
Saint Francis Medical Group				
Cardiovascular	Visit	66,561	67,892	69,250
Emergency Medicine	Visit	117	119	121
Medicine	Visit	136,791	139,527	142,318
Oncology	Visit	24,381	24,869	25,366
Phys Med & Rehab	Visit	15,704	16,018	16,338
Primary Care	Visit	12,046	12,287	12,533
Surgery	Visit	71,185	72,609	74,061
Women & Infants	Visit	58,669	59,842	61,039
All Other	Visit	2,799	2,855	2,912
Saint Francis Emergency Medical Group				
Emergency Medicine***	Visit	76,630	78,163	79,726
Saint Francis Care Medical Group				
Primary Care	Visit	9,284	9,470	9,659
Pathology	Specimen	83,934	85,613	87,325
Saint Francis Behavioral Health Group				
Psychiatry	Consults	20,410	20,818	21,234
	Visit	27,721	28,275	28,841
Collins Medical Associates 2, P.C.				
Primary Care	Visit	162,034	165,275	168,581
TOTAL****		684,332	698,019	711,979

* The fiscal year is from October 1 to September 30; Collins Medical Associates is calendar year.

** FY 2016-2018 projected to increase by 2% based on the recruitment of new physicians for certain specialty services.

*** Saint Francis Emergency Medical Group volume excludes Medicaid. Per Department of Social Service regulations the hospital (Saint Francis Hospital and Medical Center) must bill Medicaid for ER Physician visits.

****Total excludes Pathology Specimens

Ex. A, p. 735; Ex. I.

15. There is no capital expenditure associated with the proposal. Ex. A. p. 10.

16. There will be no change in the billing for services at the Group Practices as a result of the proposal. Ex. A. p. 29; Ex. C. p. 748.
17. Trinity will require SFC and its subsidiaries to adopt charity care and financial assistance policies similar to what it has implemented at its other regional health ministries. Ex. A. pp. 825-851.
18. There will be no changes to existing reimbursement contracts between the Applicants and payers as a result of this application. Ex. A. p. 29
19. Transfer of ownership the Group Practices to Trinity will not reduce SFC's provision of Medicaid services. Ex. A. p. 29
20. The Group Practices' combined current and projected payor mix is as follows:

**TABLE 3
 THE GROUP PRACTICES' CURRENT & PROJECTED PAYER MIX**

Payer	Most Recently Completed FY 2014		Projected					
			FY 2015		FY 2016		FY 2017	
	Volume	%	Volume	%	Volume	%	Volume	%
Medicare*	193,494	40.7	205,463	40.1	209,573	40.1	213,765	40.1
Medicaid*	88,229	18.6	95,706	18.7	97,620	18.7	99,572	18.7
CHAMPUS & TriCare	1,252	0.3	1,219	0.2	1,243	0.2	1,267	0.2
Total Government	282,975	59.5	302,388	59.1	308,436	59.1	314,604	59.1
Commercial Insurers	154,126	32.4	169,555	33.1	172,945	33.1	176,404	33.1
Uninsured	36,480	7.7	38,509	7.5	39,280	7.5	40,066	7.5
Workers Compensation	1,609	0.3	1,605	0.3	1,637	0.3	1,670	0.3
Total Non-Government	192,215	40.5	209,669	40.9	213,860	40.9	218,140	40.9
Total Payer Mix	475,190	100.0	512,057	100.0	522,298	100.0	532,744	100.0

* Includes managed care activity.
 Ex. A. p. 736

21. The Group Practices experienced a \$23,189,000 operating loss in FY14. Ex. A. p. 737.
22. The Applicants project no incremental losses or gains as a result of the transfer of ownership of the Group Practices. Ex. A, p. 737; Ex. I

23. The Applicants project the following operational losses associated with the proposal:

TABLE 4
APPLICANTS' PROJECTED LOSSES FROM OPERATIONS*

	Fiscal Year (Jan 1 to Dec 31)		
	2015	2016	2017
Net Patient Revenue from Operations	\$65,168	\$73,624	\$79,003
Revenues from Operations	\$114,521	\$123,900	\$130,385
Total Operating Expense	\$129,040	\$138,685	\$144,336
Gains from Operations	(\$14,519)	(\$14,785)	(\$13,951)

* Amounts are in thousands
Ex. A. p. 737.

24. The table below shows what percentage of each Applicant's operations the Group Practice loss represents. The projected Group Practice loss is proportionally smaller for Trinity than it is for SFC based on its comparatively larger operating income and cash.

TABLE 5
FY14 GROUP PRACTICE LOSSES FROM THE GROUP PRACTICES COMPARED TO APPLICANTS' OVERALL FINANCIALS*

Financial Measure	2014 Fiscal Year			
	SFC	%**	Trinity	%**
Operating Income (Loss)	\$5,995	387%	\$325,566	7%
Cash and Cash Equivalents	\$61,383	38%	\$767,559	3%

* Amounts are in thousands; operating income equals operating revenue minus operating expenses.
** Percentages were calculated by dividing the Group Practices' FY14 operating loss of \$23,189,000 by each entity's financial measures.
Ex. A, pp. 557-574, 737.

25. OHCA is currently in the process of establishing its policies and standards as regulations. Therefore, OHCA has not made any findings as to this proposal's relationship to any regulations adopted by OHCA. (Conn. Gen. Stat. § 19a-639(a)(1)).
26. The Applicants' proposal is consistent with the overall goals of the Statewide Health Care Facilities and Services Plan. (Conn. Gen. Stat. § 19a-639(a)(2)).
27. The Applicants have satisfactorily demonstrated that there is a clear public need for this proposal. (Conn. Gen. Stat. § 19a-639(a)(3)).
28. The Applicants have satisfactorily demonstrated that this proposal is financially feasible. (Conn. Gen. Stat. § 19a-639(a)(4)).

29. The Applicants have satisfactorily demonstrated that quality may be improved and the access to and cost effectiveness of health care delivery in the region will be maintained. (Conn. Gen. Stat. § 19a-639(a)(5)).
30. The Applicants have shown that there would be no change to the provision of health care services to the relevant patient populations and payer mix. (Conn. Gen. Stat. § 19a-639(a)(6)).
31. The Applicants have satisfactorily identified the population to be served by the proposal and that this population has a need for the proposal. (Conn. Gen. Stat. § 19a-639(a)(7)).
32. The Applicants' historical provision of care in the service area supports this proposal. (Conn. Gen. Stat. § 19a-639(a)(8)).
33. The Applicants have satisfactorily demonstrated that the proposal will not result in an unnecessary duplication of existing services in the area. (Conn. Gen. Stat. § 19a-639(a)(9)).
34. The Applicants have demonstrated that there will be no reduction in access to services by Medicaid recipients or indigent persons. (Conn. Gen. Stat. § 19a-639(a)(10)).
35. The Applicants have satisfactorily demonstrated that the proposal will not negatively impact the diversity of health care providers in the area. (Conn. Gen. Stat. § 19a-639(a)(11)).
36. The Applicants have satisfactorily demonstrated that their proposal will not result in any consolidation that would affect health care costs or accessibility to care. (Conn. Gen. Stat. § 19a-639(a)(12)).

Discussion

CON applications are decided on a case by case basis and do not lend themselves to general applicability due to the uniqueness of the facts in each case. In rendering its decision, OHCA considers the factors set forth in Connecticut General Statutes § 19a-639(a). The Applicant bears the burden of proof in this matter by a preponderance of the evidence. *Jones v. Connecticut Medical Examining Board*, 309 Conn. 727 (2013).

SFC is a non-profit integrated Catholic health care delivery system in central Connecticut. *FF1*. SFC comprises Saint Francis Hospital and Medical Center, as well as subsidiaries and entities of which SFC is a full or partial owner. Trinity is a nonprofit Catholic health care system incorporated in Indiana that operates in 21 states and offers services including acute care hospitals, home health care and hospice agencies, continuing care facilities and elder-care programs. *FF2*.

The Applicants' proposal to transfer ownership of the below-named group practices is a result of Trinity's acquisition of SFC in its entirety. On August 31, 2015, SFC and Trinity entered into an Agreed Settlement with OHCA approving a transfer of ownership of SFC to Trinity (docket number 15-31979-CON). *FF3*. The Applicants are now seeking approval to transfer ownership of all of its wholly and partially owned group practices to Trinity. The following transferred entities constitute group practices for OHCA-review purposes under Conn. Gen. Stat. section 19a-638(3):

- Saint Francis Medical Group, Inc.
- Saint Francis Care Medical Group, P.C.
- Saint Francis Behavioral Health Group, P.C.
- Saint Francis Emergency Medical Group, Inc.
- Collins Medical Associates, 2, P.C.

FF4.

Trinity will acquire all ownership interests and rights in the Group Practices currently assigned to SFC. Saint Francis Medical Group, Inc. and Saint Francis Emergency Medical Group, Inc. are direct subsidiaries of SFC and Trinity will acquire full ownership rights. Trinity will replace Saint Francis Hospital and Medical Center, Inc., a direct subsidiary of SFC, as the designator of the sole shareholder of Saint Francis Behavioral Health Group, P.C. and of Saint Francis Care Medical Group, P.C. Saint Francis Care Medical Group, P.C. currently controls 25% of Collins Medical Associates, 2, P.C.'s Class A voting shares. Trinity will acquire those shares subsequent to the proposal. *FF5*.

No change in the clinical services, price structure or day-to-day management of any of the Group Practices will occur as a result of this transfer and the Group Practices will maintain their independent billing practices. *FF7, 11-12*. Additionally, there will be no interruption of services at the Group Practices as changes are occurring at the corporate membership level. *FF11*. As such, there is no reduction in patient choice in the region.

The Applicants have demonstrated how the proposal may improve the quality of care for patients. Group Practices will gain access to Trinity's Physicians Network Operations

programs. Among them is the Press-Ganey tool and methodology, standardized across all Trinity networks, which provides benchmarking methodologies to measure, report on and improve patient experience. *FF9*. The Group Practices may also benefit from Trinity's physician recruitment department, enhancing their ability to screen and attract quality medical professionals. *FF10*.

There is no capital expenditure associated with the proposal and the Applicant anticipates no incremental costs. *FF15,22*. The Group Practices experienced a \$23,189,000 operating loss in fiscal year 2014. *FF21*. That loss represents 387% of SFC's operating income, but only 7% of Trinity's. *FF24*. Due to the fact that the Group Practice loss is proportionally smaller for Trinity, Trinity may be better positioned to absorb the loss than SFC, supporting the financial strength of the health care system in the state. Additionally, the Applicant projects no changes in the provision of services to Medicaid or indigent patients. *FF20*.

The Applicants have satisfactorily demonstrated that there is a clear public need for the proposal. The quality of care offered to patients may improve due to economies of scale achieved through integration with a national system. Furthermore, the regional approach will support the overall stability of health care in the state. Therefore, the Applicant has demonstrated that the proposal is consistent with the goals of the Statewide Health Care Facilities and Services Plan.

Notably, the Applicants have satisfactorily demonstrated that the proposed transaction was the result of a voluntary offer for sale. As a result, there is a presumption in favor of approving this application pursuant to Conn. Gen. Stat. § 19a-639(b).

Order

Based upon the foregoing Findings of Fact and Discussion, the Certificate of Need application of Saint Francis Care, Inc. and Trinity Health Corporation to transfer ownership of the aforementioned group practices is **APPROVED**.

All of the foregoing constitutes the final order of the Office of Health Care Access in this matter.

By Order of the
Department of Public Health
Office of Health Care Access

September 23, 2015
Date

Janet M. Brancifort
Janet M. Brancifort, MPH, RRT
Deputy Commissioner