

**PROPOSED TRANSFER OF ASSETS OF  
EASTERN CONNECTICUT HEALTH NETWORK, INC. AND AFFILIATES  
TO  
VHS EASTERN CONNECTICUT HEALTH SYSTEM, LLC,  
A JOINT VENTURE TO BE FORMED BETWEEN TENET HEALTHCARE  
CORPORATION AND YALE-NEW HAVEN SERVICES CORPORATION**

**Public Hearing Held Pursuant to Section 9 of Public Act 14-168  
(Amending Section 19a-486a of the Connecticut General Statutes)**

**Location: Vernon Senior Center, Vernon, CT**

**Date: June 24, 2014**

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\*Representative Sam Belsito submitted a statement on June 23, 2014 directly to the Office of Health Care Access and to the Attorney General's Office. Representative Belsito's statement was not referenced or read into the record at the hearing and has not been included here.

\*\*Melodie Peters' statement was submitted at the hearing in Manchester on June 23, 2014, but was referenced by Ms. Peters at the hearing on June 24, 2014 and is included again for reference.

EASTERN CONNECTICUT HEALTH NETWORK

DATE HELD: JUNE 24, 2014

VERNON PUBLIC HEARING

1 DR. O'NEILL: [Slide 1: Preparing for the Future of  
2 ECHN] Thank you for joining us this evening and welcome to  
3 our second Public Hearing.

4 My name is Dennis O'Neill. I'm a physician in  
5 private practice, and the current Chair of the Board of  
6 Trustees of Eastern Connecticut Health Network.

7 ECHN is a valuable asset to the eastern  
8 Connecticut community, and after nearly three years of  
9 review, consideration, due diligence and determination to  
10 strengthen ECHN's future a selection has been made to  
11 preserve ECHN through a proposed acquisition by a newly  
12 formed joint venture between Tenet Health Care Corporation  
13 and Yale-New Haven Health Systems.

14 This decision was made through the engagement of  
15 the community governing structure of Trustees and  
16 Corporators associated with ECHN, which includes  
17 representatives of our medical staff.

18 The Board of Trustees voted unanimously to pursue  
19 this acquisition of ECHN by the newly formed joint venture  
20 and this decision was also supported by the ECHN Corporators  
21 with a ninety-one percent favorable vote to move forward in  
22 pursuance of the proposed transaction.

23 Additionally, on May 7th, the Connecticut  
24 Legislation -- Legislative Session came to a close with a  
25 Bill, which has now been signed, into Law allowing for

1 hospital conversions in the State of Connecticut to  
2 continue.

3 This allows ECHN to move into the next phase of  
4 the transaction which includes a regulatory process as  
5 governed and outlined by the State and Federal Governments.  
6 You will hear more about this phase throughout the evening.  
7 Now, to review some of tonight's Agenda, and statutory  
8 requirements, I'll hand it over to Dennis McConville, ECHN's  
9 Chief Strategy Officer.

10 Dennis.

11 MR. McCONVILLE: Thank you, Dennis, Dr. O'Neill.

12 [Slide 2: Agenda] ECHN is hosting two Public  
13 Hearings for our Letter of Determination. One was held last  
14 evening at Manchester Memorial Hospital, and one here  
15 tonight at the Senior Center.

16 These Hearings are to provide information about  
17 our proposed transaction contained in our Certificate of  
18 Need Letter of Determination that was filed with both the  
19 Attorney General's Office and the Department of Public  
20 Health, Office of Health Care Access on June 4th of 2014.

21 Our Agenda for this evening is as follows: I'll  
22 take a few moments to present the purpose for the Hearing,  
23 the statutory requirements that we believe apply to our  
24 proposed transaction, and let you know the format for your  
25 participation in the Hearing. Peter Karl, ECHN's President

1 and CEO will present information about the healthcare  
2 landscape for ECHN, the rationale for pursuing our  
3 transaction with Tenet Healthcare Corporation and the Yale-  
4 New Haven Health System, and the process that ECHN followed.

5 Joyce Tichy who is ECHN's Senior Vice President and  
6 Legal Counsel will present the Letter of Determination and  
7 then we'll have a comment, question and answer period for  
8 you with our panel.

9 For the public comment and Q and A portion of the  
10 Hearing we have some guidelines that we'd like you to  
11 follow. We conducted two public hearings, one in late April  
12 and one in early May for our proposed transaction. With  
13 changes to the CON Statute we want to conduct this evening's  
14 hearing in as precise a manner as possible. Therefore, it  
15 will be more structured and will require that we take some  
16 time before we open the floor for comments or questions to  
17 address the Letter of Determination and related matters. I  
18 anticipate this will take about forty-five to fifty minutes.

19 This Hearing is a legal requirement for the State  
20 Regulatory Approval Process. Tonight's presentation and  
21 question and answer period will be recorded, transcribed and  
22 submitted to the State Department of Public Health, Office of  
23 Healthcare Access, and the Office of the Attorney General.  
24 You must sign in if you wish to comment or question the  
25 panel regarding the Letter of Determination. If you've not

1 signed in and you wish to speak, please see Nina Kruse in  
2 the back of the room to do so. If you signed up to testify,  
3 I will call your name to come up to one of the microphones  
4 to make a statement or to ask your question. Before you  
5 begin your testimony, please state your name and your town  
6 of residence. In deference to allow everyone who wishes to  
7 speak, we request that the speaker limit their participation  
8 to one appearance at the microphone and in the interest of  
9 time we ask that you try to limit your comments to  
10 approximately three minutes or less in order to ensure time  
11 for all participants. Your statements or comments should be  
12 directed to the contents of the Letter of Determination.  
13 Copies of the Letter of Determination are available this  
14 evening for your review. The Letter of Determination in all  
15 the filings will be available on the Attorney General's  
16 website and on the OHCA website as the process advances.

17           [Slide 3: Proposed Transfer of Assets] Our focus  
18 for this evening is the Letter of Determination which  
19 describes a proposal for the transfer of the assets of  
20 Eastern Connecticut Health Network and its affiliates to VHS  
21 Eastern Connecticut Health System, LLC, a joint venture that  
22 will be formed between Tenet Health Care  
23 Corporation and Yale-New Haven Health System Services  
24 Corporation.

25           [Slide 4: State Regulatory Process] The first

1 step in the process is the filing of a Letter of  
2 Determination. Within thirty days of filing the Letter of  
3 Determination, the non-profit hospital and the proposed  
4 purchaser hold a public hearing on the contents of the  
5 Letter of Determination, which is why we're here this  
6 evening. Again, this evening's Hearing is being recorded  
7 and transcribed as required. We'll make the recording or  
8 transcription available to the Commissioner of OHCA, the  
9 Attorney General and members of the public upon request.  
10 The Commissioner and the Attorney General will review the  
11 Letter of Determination. It's the Attorney General who  
12 determines whether the statute for the transaction requires  
13 approval under the so-called conversion statute as a  
14 conversion from a non-profit to a for-profit company. A  
15 joint review process is then undertaken by the Commissioner  
16 and the Attorney General.

17 [Slide 5: State Regulatory Process] The Certificate of  
18 Need Approval Process for Hospital Conversions is governed  
19 by Connecticut Law. The Law contains standards that the  
20 Attorney General and the Commissioner of Public Health must  
21 apply in rendering a decision for each application. The Law  
22 also allows for each agency to engage experts to assist in  
23 the Certificate of Need process.

24 The Statute states that the Attorney General shall  
25 deny an application that's not in the public interest if the



1 transaction is prohibited by Connecticut Statutory or Common  
2 Law governing non-profit entities, trusts or charities; if  
3 the Applicant fails to exercise due diligence in deciding to  
4 transfer its assets, selecting the purchaser, obtaining a  
5 fairness evaluation, or negotiating the terms and the  
6 conditions for the sale; if the non-profit hospital fails to  
7 disclose any conflict of interest, the Application shall be  
8 denied and if the non-profit hospital would not receive fair  
9 market value for its assets, the application will be denied.

10           [Slide 6: State Regulatory Process] By statute,  
11 the Public Health Commissioner must also apply standards in  
12 reviewing and ruling on the Application. The Commissioner  
13 must deny an Application unless the community will be  
14 assured of continued access to high quality, affordable  
15 care, after accounting for any proposed change impacting  
16 hospital staffing. The Commissioner must deny an Application  
17 unless a commitment has been made to provide care to the  
18 uninsured and underinsured.

19           The proposal will also be reviewed under Standard  
20 Certificate of Need Guidelines including public need, the  
21 impact on the financial strength of the healthcare system in  
22 the State, whether the proposal will improve quality,  
23 accessibility, and cost effectiveness of the health care  
24 delivery system in the region.

25           [Slide 7: Conversion/CON Process Timeline] Now

1 I'm going to walk you through an estimated timeline for our  
2 CON approval process. Some of these intervals are mandated  
3 by State Statute and others are estimates so they may  
4 change. The process begins with the filing of the Letter of  
5 Determination which was done on June 4th, within thirty days  
6 we're required to hold Public Hearings on the content of the  
7 Letter of Determination. We expect that the Attorney General  
8 will rule that our proposed transaction is subject to the  
9 Conversion Statute, so we anticipate that we'll receive an  
10 Application from the Attorney General and the Office of  
11 Health Care Access, within forty-five days bringing us to  
12 early August.

13           Once we receive the Application, by statute, we  
14 have sixty days to complete the Application and file it with  
15 those agencies, the Attorney General's Office and OHCA have  
16 twenty days to determine if the Application is complete.

17           If they identify deficiencies in the Application,  
18 we'll receive what are known as "completeness questions" and  
19 we estimate that it will take twenty more days to respond to  
20 those questions, and twenty more days for the Agency to  
21 respond. We could see one or two cycles of completeness  
22 questions, it's not uncommon. We estimate that our  
23 Application would be deemed complete somewhere between  
24 November and March. Once the Application is deemed complete  
25 the Attorney General and the Public Health Commissioner have

1 120 days to decide on the Application. They'll hold Public  
2 Hearings during that time, another opportunity for the  
3 public to weigh in on the proposed transaction, and we  
4 anticipate that the process will take between nine and  
5 twelve months, leaving us with a decision somewhere between  
6 March and June of 2015.

7           [Slide 8: The Proposed Transaction] Joyce Tichy  
8 will be providing a more detailed -- more detailed  
9 information about the Letter of Determination in a few  
10 minutes, but I didn't want to go too far into the  
11 presentation without giving at least a summary of the  
12 proposed transaction.

13           The new joint venture between Tenet Health Care  
14 Corporation and Yale-New Haven Services Corporation would  
15 buy ECHN. There would be a continued operation of  
16 Manchester Memorial and Rockville General Hospitals  
17 continued involvement in the advisory board that includes  
18 community representatives, capital investments to improve  
19 facilities and equipment, a partnership with a leading  
20 academic medical center and access to Yale-New Haven Health  
21 Systems clinical support, quality and service line  
22 management, the establishment of a community foundation to  
23 oversee certain charitable funds, and a continuation of  
24 ECHN's brand and mission, including a continued commitment  
25 to charity care and indigent care.

1           Now to review our process and background for the  
2 acquisition is ECHN's President and C.E.O., Peter Karl.  
3 Peter.

4           MR. KARL: Thank you, Dennis.

5           [Slide 9: Preparing for the Future at ECHN] Thank  
6 you for joining us this evening. We're here to discuss the  
7 proposed transfer of assets of Eastern Connecticut Health  
8 Network and affiliates to VHS Eastern Connecticut Health  
9 System, LLC., which is a joint venture formed between Tenet  
10 Healthcare Corporation and Yale-New Haven Health Systems  
11 Corporation. ECHN is proud to serve Eastern Connecticut by  
12 improving the well-being of the community by offering  
13 quality, compassionate healthcare, that is our mission and  
14 our organization has pursued this mission for nearly a  
15 hundred years. Our commitment to that mission is what we  
16 want to continue on behalf of our patients and their  
17 families, our physicians, and our employees.

18           What we want to see, ECHN -- what we want to see  
19 the ECHN name and brand continue. ECHN has made an  
20 obligation to training our next generation of physicians.  
21 We have developed strong relationships with our medical  
22 staff. We support the education of medical students and  
23 have established a new graduate medical education residency  
24 program at ECHN.

25           Our two acute care facilities, Manchester Memorial

1 and Rockville General Hospital, as well as our dozens of  
2 affiliates and joint venture companies, are anchors in the  
3 regions we serve. ECHN is a significant economic engine  
4 providing the salaries for over three thousand skilled jobs  
5 and purchasing over ninety million in services and supplies  
6 each year.

7           [Slide 10: Preparing for the Future at ECHN] The  
8 Patient Protection and Affordable Care Act is designed to  
9 provide insurance to thirty-two million Americans who are  
10 uninsured. Hospitals, as an industry, agreed that they  
11 would accept lower payments as more of their patients would  
12 now have some form of insurance.

13           In Connecticut, unlike other parts of the country,  
14 residents are relatively well insured so there is not the  
15 benefit of more revenue for our hospitals. We estimate that  
16 we need to reduce expenses by fifteen to twenty percent  
17 which would mean cutting services and staff. In addition,  
18 the government and commercial insurers are pushing for  
19 payment reforms that shift the risk of getting paid to  
20 providers like hospitals. The resulting new payment systems  
21 reward those who can deliver care at lower costs with  
22 improved quality and outcomes. This means we need to reform  
23 and refocus our delivery of care to keep patients well in  
24 the lowest cost settings, generally at home or in outpatient  
25 settings, preventing patients from needing expensive

1 hospital stays.

2           The focus on our patients need to be ongoing and  
3 proactive, not just on an episodes of illness and hospital  
4 stays. The information about our patients needs to be  
5 accessible to providers across the network. Care management  
6 programs need to be expanded through the community. The  
7 investments needed to succeed with population health are  
8 major and difficult for organizations that are operating on  
9 extremely thin margins.

10           [Slide 11: ECHN's Financial Challenges] As you  
11 can see here in this slide, in 2001 ECHN lost more than ten  
12 million and continued to operate in the red for many years.  
13 During this time the level of debt continued to increase. I  
14 took office nearly ten years ago, and ECHN began to make  
15 course corrections, but it took six years to catch up and we  
16 were forced to defer capital investments. You can see by  
17 the lower graph that our pension liability grew  
18 dramatically, the result of the Pension Funding Reform that  
19 came at a time when the market crashed in 2008. Debt  
20 service and pension contributions consume a large portion of  
21 ECHN's annual cash flow, making capital investments  
22 difficult.

23           [Slide 12: ECHN's Financial Challenges] Hospital  
24 systems are extremely capital-intensive. The cost for new  
25 medical and information technology are significant. The

1 building codes for our facilities make improvements  
2 expensive.

3 I mentioned population health and the need to  
4 share technology across the system. A new electronic  
5 medical record system will cost twenty million dollars.  
6 There are programs that we would like to develop to address  
7 health needs that require capital investments. Private  
8 accommodations for our patients are not only about comfort  
9 and privacy, but they offer a safer environment for our  
10 patients. Again, hospitals are expensive to build or  
11 renovate.

12 [Slide 13: Continuing Financial Challenges] ECHN  
13 and all Connecticut hospitals are struggling with the  
14 financial challenges associated with the reduction of  
15 government payments for services provided to our patients.

16 Since we started on our journey to evaluate a  
17 partnership, more has happened that worsens our financial  
18 position. The State imposed the tax on hospitals that has  
19 been increased by five hundred fifty million in the current  
20 state budget. You can see that our tax burden grows, and it  
21 is significant because for a three hundred thirty million  
22 dollar health system like we are today, we have struggled to  
23 achieve a one to two percent margin which is three to six  
24 million. That tax is much higher. ECHN along with all  
25 other hospitals also had to shoulder the financial impact of

1 Federal sequestration. Medicare provider payments have been  
2 cut by two percent since April of 2013. The Act requires  
3 Federal spending cuts to remain in place through 2022.  
4 Sequestration equates to a loss of more than 2.2 million  
5 dollars per year, each year for ECHN. Some of our  
6 reimbursement from the government is already at risk and we  
7 are penalized if we don't meet certain criteria. We have  
8 done well and not incurred any penalties for readmissions to  
9 our hospitals.

10 Additional threats to reimbursement are also on  
11 the horizon at the next fiscal year. ECHN has projected to  
12 have an additional seven million dollar financial burden to  
13 bear.

14 [Slide 14: Negative Forces into the Future] As  
15 you can see here, the negative forces associated with the  
16 reduction in payment for services coupled with the increased  
17 salary and non-salary costs equate to an inability to  
18 reinvest in ECHN in an unsustainable financial future.

19 [Slide 15: Preparing for the Future at ECHN] In  
20 order to prepare for the future of ECHN, a workgroup of  
21 trustees, Corporators, medical staff, and administrators was  
22 formed in late 2011 to study ECHN's needs and the benefits  
23 that could come from partnering with another health system.  
24 After studying the national, regional and Connecticut  
25 landscapes along with ECHN's current and potential future



1 position, it was decided that a partnership was in the best  
2 interests of ECHN.

3           The partnering workgroup developed criteria in  
4 which to evaluate potential partners including cultural and  
5 strategic fit, financial strength and long term viability,  
6 and the partners' interest to invest in our organization.

7           The workgroup made findings and recommendations to  
8 a Committee of the Board of Trustees, the Transaction  
9 Committee. The Committee conducted its due diligence and  
10 made the recommendation to the Board to pursue a transaction  
11 with Tenet Health Care Corporation and Yale-New Haven Health  
12 System.

13           [Slide 16: Preparing for the Future at ECHN] The  
14 reasons to join another system are clear. We strive to  
15 create economic scale to decrease our costs. While we want  
16 to improve our access to capital and afford investments, we  
17 have to improve finances and reduce or eliminate our debt,  
18 and we have to be prepared to participate in the new payment  
19 systems to insuring that we protect, preserve and grow local  
20 access to healthcare services.

21           [Slide 17: The Request for Proposal Process]  
22 Requests for proposals were sent to three non-profit health  
23 systems and three for-profit hospital operators. After  
24 careful, thorough and request for proposal process, that  
25 included many meetings with each potential partner produced

1 two viable offers. Both were from joint venture  
2 partnerships to acquire ECHN.

3 The first, a joint venture between Hartford  
4 Healthcare and L.H.P., a for-profit, and a second a joint  
5 venture between Yale-New Haven Health and Vanguard Health  
6 Systems. When we learned that Vanguard Health Systems was  
7 to be purchased by Tenet Healthcare, we went back and  
8 performed more due diligence to confirm that a joint venture  
9 between Yale-New Haven Health and Tenet Healthcare to  
10 acquire ECHN was still a good option.

11 [Slide 18: Tenet, YNHHS, ECHN Strategic Alliance]

12 After careful due diligence which included  
13 additional rounds of questions and answers, additional  
14 meetings with the parties, the Board selected the proposal  
15 from Tenet Healthcare and Yale-New Haven Health as the best  
16 one that met our needs and criteria for a partner.

17 ECHN would become part of a strong regional  
18 healthcare system with aligned mission, vision and values.  
19 The network would offer thought leadership from best  
20 practices among almost eighty hospitals across the U.S.  
21 Yale-New Haven Health will offer its clinical leadership and  
22 programs.

23 Tenet has extensive experience with risk-based  
24 contracting, and with Yale-New Haven Health System are  
25 forming another joint venture to offer the support and

1 services needed for value-based risk contracting.

2           [Slide 19: What will be achieved?] ECHN firmly  
3 believes that the partnership will allow us to serve our  
4 mission. It will protect accessibility and affordability of  
5 care to our patients while continuing our focus on quality  
6 and safety of patient care. This will support our efforts  
7 to continuously improve satisfaction, it will enable us to  
8 reinvest in programs, technology and facilities for the  
9 benefit of our patients and employees.

10           Now I'd like to ask Joyce Tichy to walk you  
11 through some of the finer details associated with the Letter  
12 of Determination. Joyce.

13           MS. TICHY: Okay.    [Slide 20: Letter of  
14 Determination] So we're going to be on this slide for a  
15 little while so I apologize ahead of time. Just to take you  
16 back for a second to where we are and what the intention --  
17 our intention in proceeding is about right now, we're guided  
18 actually by the Certificate of Need requirements of the  
19 Attorney General and the Office of Health Care Access. So  
20 if you go -- think back to a couple of slides that Dennis --  
21 when Dennis put up the list of requirements that we're  
22 supposed to meet, and just keep those in mind as I describe  
23 what is in our transaction. The slides you've seen so far  
24 have addressed two of those things. One is that we are  
25 supposed to demonstrate diligence in deciding to transfer,

1 and diligence in selecting our purchaser. So in addition,  
2 we have the obligation to show diligent negotiation of the  
3 terms and conditions of the transfer, diligence in obtaining  
4 a fairness evaluation by an independent party. We have to  
5 show we're receiving fair market value, that the transaction  
6 would result in continuing access to high quality care and  
7 that the buyer is committed to making -- to continuing our  
8 commitment to the uninsured and underinsured, that the  
9 transaction will demonstrate an improvement in our financial  
10 strength and that it will improve quality accessibility and  
11 cost effectiveness. So the part that this slide is about is  
12 about showing how we have established through due diligent  
13 negotiation good terms and conditions for the transfer.

14 First off, the description of the buyer, we've --  
15 you've heard a couple of times -- it's said a couple of  
16 times but the buyer's name will be the VHS Eastern  
17 Connecticut Health System, LLC. That's a company that will  
18 be jointly owned, eighty percent by Tenet and twenty percent  
19 by Yale-New Haven Health System, and just for convenience,  
20 I'll call that "the Buyer", since that's kind of a long name  
21 to say all at once over and over. So this is the entity  
22 that will ultimately be the legal owner and will make the  
23 legally binding decisions on behalf of ECHN after the  
24 closing.

25 The form of the transaction is an asset purchase,

1 which is typical for transactions of this kind. And it  
2 basically means that the Buyer is going to be buying what's  
3 described in the Agreement as "substantially all the assets"  
4 of ECHN, and then it says that -- and then we have a long  
5 list of all the assets that are going to be purchased, so it  
6 kind of says all, and then it lists them all.

7           So the key assets to be acquired by The Buyer are,  
8 if you take a look at the proposal you can see them listed,  
9 but basically and I'm just going to give a quick summary.  
10 It's effectively our two acute care hospitals, Manchester  
11 Memorial and Rockville General, our nursing home, Woodlake  
12 at Tolland, our visiting nurse service, called Visiting  
13 Nurse and Healthcare Services of Connecticut, which also  
14 provides homecare services. We have an insurance captive  
15 which handles our medical malpractice claims, we have a  
16 billing and physician office, and basically all the other  
17 entities that you see in the community that bear the ECHN  
18 name are part of the transaction. Those include ambulance -  
19 - excuse me -- then we also have an additional set of  
20 entities that are going to be transferred and those will be  
21 ECHN's interest in joint ventures that we partner with  
22 others in, typically hospitals and physician groups; that  
23 includes two ambulance companies, we have a wheel chair  
24 transport company, an occupational medicine provider and  
25 others.

1           Along with that, effectively all of the equipment,  
2 real property, leases, accounts receivable and everything  
3 you see when you walk into these entities that we operate  
4 will be transferred.

5           In addition to this, as a result of negotiations  
6 between us and the Buyer, we have included some liabilities  
7 that we maintain. These are, just to be clear, already  
8 existing obligations that we have that we would like someone  
9 else to take on, so that they're safely handled and managed  
10 and maintained going forward. These include ECHN's unfunded  
11 pension liabilities, and if you think back to the slide that  
12 Peter put up relating to our pension, that has been a very  
13 significant drain on our resources over time. We wanted to  
14 make sure that our employee pensions were taken care of and  
15 that there would be a strong financial entity behind them so  
16 that we asked for them to be included in the transaction and  
17 Tenet agreed; that is, Tenet and Yale-New Haven Health  
18 System together, as the Buyer.

19           We've also asked and the Buyer has agreed to take  
20 on ECHN's obligation for its post-retiree health plan, the  
21 liabilities of our captive insurance company so that we can  
22 make sure that our medical malpractice claims are taken care  
23 of and our worker's compensation obligations.

24           In addition -- so just to make sure that this is  
25 clear, there are key assets and liabilities that are

1 excluded from the transaction. These include donor  
2 restricted charitable contributions that are held by the  
3 hospitals or our community healthcare foundation, and just  
4 by way of explanation, if someone has donated charitable  
5 funds to us, with restrictions that they specify, they will  
6 not be allowed to be part of the transaction. Instead they  
7 will be put aside and the Attorney General will decide who  
8 and where those funds are to go.

9 In addition, just in the normal course of  
10 business, you as an entity will incur lawsuits and you'll  
11 have tax settlements. Insofar as there are any of those  
12 that arise that result from our activities before the  
13 transaction, those continue to belong to the old ECHN and  
14 will not be transferred.

15 Medicare requires that we issue cost reports and  
16 it takes a long time to settle them, often years, and since  
17 there is a pretty long run out for those, Medicare cost  
18 settlements will also not be included.

19 Along with this, the cash and investments that  
20 ECHN holds will not go along with the transaction. They  
21 will instead be used to pay off our debt, and our long term  
22 debt is not part of the transaction. That is, however,  
23 something that will be settled at the time of closing by our  
24 cash and investments, and the proceeds of the transaction.

25 Next I want to talk just for a minute about our

1 medical foundation, and also just to help you understand  
2 what that is. In Connecticut, there is generally a rule  
3 that says that physicians cannot be employed by  
4 corporations. That's in order to make sure that they  
5 exercise independent medical judgment. But there's an  
6 exception for that if you are a hospital, and so we employ  
7 physicians through our medical foundation. Up until early  
8 May when the most recent legislation was passed, it was not  
9 clear whether a for-profit hospital or for-profit health  
10 system could own a medical foundation and as a result of the  
11 legislation that's been made clear. It is now the case that  
12 it can, so our medical foundation will now ultimately be  
13 transferred to an entity that is effectively owned by Tenet.

14           So what will the ownership and running of the  
15 entity look after the closing? The role of VHS which is  
16 effectively the eighty percent owned by Tenet will provide  
17 the day-to-day supervision and management of the hospitals  
18 and the other ECHN businesses. The Yale-New Haven Health  
19 System will provide the clinical expertise in order to  
20 enhance and improve our services. For example, there are  
21 vascular and perinatology services that we would very much  
22 like to expand. We would like assistance from Yale-New  
23 Haven Health System to help us do that and Yale-New Haven  
24 Health System has agreed to do that, so that will be  
25 effectively its function.



1           There will also be, as part of the transaction --  
2 this is something we requested and the Buyer agreed to -- a  
3 local advisory board for each of the hospitals. The members  
4 of that Board will be appointed by ECHN before the closing,  
5 and are initially to be made up of five ECHN Trustees, plus  
6 five others to be identified by ECHN. The members are to  
7 include community representatives, physicians who are on the  
8 medical staff now and the hospital's CEO.

9           The role of the local Board we anticipate will be  
10 quite significant. While it does not -- will not hold the  
11 ability to make legal decisions, it will be the advisor to  
12 the Buyer about how to spend the capital commitment which is  
13 a very significant part of this transaction. I'll get to in  
14 a minute. It will assist with the development of the  
15 strategic plan of the entity, and it will be responsible for  
16 medical staff credentialing in order to insure that the  
17 physicians who come onto our medical staff are capable and  
18 qualified. It will oversee our very important quality  
19 assurance program, and it will oversee and manage the  
20 hospital's accreditation.

21           In addition, and this actually is required by the  
22 regulatory scheme and so we made sure to include it in the  
23 transaction, that the Buyer is committed to maintain  
24 community support, charity care, and the continuum of care  
25 that we now have in place.

1           It's agreed to maintain ECHN's policies on charity  
2 care, indigent care, community volunteer services, and  
3 community outreach services.

4           Also, we have a graduate medical education program  
5 with the University of New England College of Medicine and  
6 the Buyer has agreed to continue that program. Our goal is  
7 to promote that program so that we can local grow  
8 physicians who want to stay in our community, and the Buyer  
9 has agreed to keep that program going.

10           In addition, the Buyer has agreed to maintain for  
11 three years our two acute hospitals including our emergency  
12 departments, and to maintain and ownership interest in  
13 VNHSC, our visiting nurse service, and Woodlake at Tolland,  
14 our nursing home and sub-acute care facility.

15           We spent quite a lot of time negotiating all of  
16 these things, but in addition, the employment aspects of the  
17 transaction. The Buyer has agreed as a result of those  
18 negotiations to offer employment to substantially all of  
19 ECHN's employees who are employed prior to the closing.

20           It's agreed to provide comparable benefit packages  
21 to what they enjoy pre-closing. It's agreed -- very  
22 importantly -- it agreed to assume our collective bargaining  
23 agreements, and what we did in anticipation of this  
24 transaction was we worked to extend our collective  
25 bargaining agreements out for a significant period of time,

1 so that those who are covered under them will be protected.  
2 So our Manchester Memorial Hospital R.N.'s, their contract  
3 extends out to June 2018; the Manchester Hospital Service  
4 and Skilled Maintenance Employees Contract extends out to  
5 May 2017; the Manchester Memorial Hospital Technical and LPN  
6 Employees' Contract extends to June 2017; and the RN's at  
7 Rockville Hospital, across the street, their collective  
8 bargaining agreement extends out to December 2018.

9           Along with this, I think you heard Peter explain  
10 that we have very, very extensive capital needs. Any  
11 hospital requires a lot of money to run, to improve  
12 equipment, to improve its facilities, and because of our  
13 financial situation, we have not had the necessary money to  
14 do those upgrades, so as part of this transaction, we asked  
15 for and the Buyer agreed to spend seventy-five million  
16 dollars over the next five years. This, to be clear, is in  
17 addition to the purchase price, after the closing, in order  
18 to pay upgrades to ECHN's facilities and the projects that  
19 we need to improve our services.

20           Examples of how this money will be spent are  
21 renovations to our facilities, recruitment costs to bring on  
22 needed medical staff, expansion of our clinical departments,  
23 purchase of medical equipment and/or electronic medical  
24 records, and other things that will enhance -- will address  
25 the capital needs of ECHN. One caveat to this is if a law

1 or rule is passed -- this is in our agreement -- or applied  
2 that discriminates against for-profit systems, this  
3 obligation can be deferred for five years, but if the Buyer  
4 chooses to do this, it has to confer with the Local Board  
5 and explain the reason for this, and ultimately collaborate  
6 with the Local Board on the spending of this money.

7           When you file a Certificate of Need Application,  
8 you have to explain to the regulators what changes you  
9 anticipate or are requesting in connection with that  
10 Application. Our Certificate of Need Application will have  
11 no requested changes to any of the services or towns served.

12           [Slide 21: Project Cost] Okay, so I know that was  
13 pretty long, and now I'm going to get to basically a little  
14 bit of a workflow with respect to the project financial  
15 provisions. So if you take a look at this slide, you see on  
16 the top it indicates that the price excludes the donor  
17 restricted funds that I mentioned before, which will be  
18 segregated and directed and used, sent as directed by the  
19 Attorney General; our cash and investments; and our cost  
20 report settlements. Putting aside those amounts, the amount  
21 The Buyer has agreed to pay is a hundred five million  
22 dollars. This amount, just to be clear, was not something  
23 that we just pulled out of a hat, it was the result of  
24 substantial negotiation. It was based on the Buyer's  
25 estimate of our financial condition and our future

1 opportunities and it has been confirmed as fair by an  
2 independent very well known valuation firm named Duff and  
3 Phelps that basically is known throughout the country for  
4 performing these valuations, based on its estimate of our  
5 future cash flow, which again you have to think back to a  
6 couple of slides is being squeezed in a variety of ways.  
7 This purchase price was deemed fair by Duff and Phelps.

8           In addition, I'm going to walk you through a  
9 couple of steps about how the money -- this money will be  
10 deployed ultimately. And that analysis and the ultimate  
11 fairness of the net proceeds that result out of the  
12 transaction was also independently evaluated by Duff and  
13 Phelps and evaluated as fair.

14           All of this information will be available to the  
15 public as part of the Attorney General and Office of  
16 Healthcare Access process. They will put it on their  
17 websites and you'll be able to review it if you would like  
18 to look at it in more detail.

19           So the process will start with the Buyer offer to  
20 pay, the payment of one hundred five million dollars. The  
21 next step on that will be a true up, in order to make sure  
22 that to make any needed assessments to our estimated net  
23 working capital, that's the first step, and that is the  
24 amount that we need to pay our bills on an ongoing basis.  
25 Just like you have money in your checkbook, you have to just

1 make sure there's enough money in the checkbook the day  
2 after the closing to keep paying your bills and -- and  
3 doing all the things you do on a daily basis. Then the  
4 amount will be reduced by all those commitments that the  
5 Buyer has made to take on the liabilities that we already  
6 owe. Those include our unfunded pension, post retiree  
7 health, our captive insurer, worker's compensation  
8 liabilities, our employee benefit liabilities, our capital  
9 leases, and asbestos liabilities, and other things.

10           After all of those deductions, the amount  
11 remaining will be combined with the cash and investments  
12 that, as I mentioned on the top, are not part of the  
13 transaction, in order to pay off our long term debt. So  
14 that's basically the bondholders and other lenders who have  
15 loaned us money over the years, which is very typical and  
16 normal for a hospital to incur these kinds of obligations.  
17 And they will expect -- anticipate on the day of closing  
18 that they will be paid off, and that's what we're going to  
19 use the money at that stage to do.

20           After that, the Buyer has negotiated with us and  
21 we've agreed to put aside a certain portion of the money to  
22 pay -- to fund an indemnity reserve. That's an amount of  
23 money that is there because effectively the old ECHN will  
24 not have the funds to pay off debts and things that come up  
25 after the closing that nobody thought of beforehand, so it's

1 a little bit of sort of safety bank account that they will  
2 use in order to make sure that all of the obligations that  
3 we have over time are covered.

4           Once that's done, all those steps are completed,  
5 the Attorney General will define and determine where the  
6 remainder of the money will go. And in addition the  
7 indemnity reserve terminates after a period of time and that  
8 money will also be delivered over to the Attorney General  
9 for a decision on what to do with it.

10           Now after the closing, after all of this is done,  
11 all these payments are made, then there remains that  
12 seventy-five million dollars that the Buyer has agreed to  
13 spend over the next five years for our capital improvements,  
14 and that's basically how the transaction will work. A  
15 couple of caveats. The Buyer does have the opportunity not  
16 to close on the transaction -- in other words, to terminate  
17 the Agreement -- if there are material changes to our  
18 business, assets, liabilities, financial condition or the  
19 results of our operations. This is a normal provision in  
20 contracts. This is something we hope will not happen, but  
21 it's just something to be aware of.

22           In addition, a condition of the closing is that  
23 the medical foundation that has been the subject of  
24 legislation over the past few months will need to be  
25 successfully set up and agreed to by the regulators as to

1 how it will be run. And there are, as is the case with  
2 transactions of this kind many, many other closing  
3 conditions that we will have to meet in order to effectively  
4 finish the transaction.

5           The last thing I just want to say is that as part  
6 of this whole transaction, there are many, many independent  
7 verifications that are being done for every step that we  
8 take, every decision that we make and every valuation that  
9 we put on all of our assets and liabilities.

10           We'll have the Duff and Phelps Fairness Opinion,  
11 we'll have the continuing outside audit of our financial  
12 statements, we have actuarial reports that confirm the  
13 appropriateness of our pension and retiree health  
14 calculations, and the Attorney General and OHCA will do  
15 their own independent review at which time they will hire  
16 their own experts, not by any decision of us, just  
17 completely independently of us in order to evaluate the  
18 transaction from an expert prospective.

19           So that's all I have.

20           MR. McCONVILLE: Thank you, Joyce. [Slide 22:  
21 Public Comments & Questions] We've now reached the part of  
22 our Hearing where, you the public, may participate, and for  
23 that I'd like to first introduce our panel.

24           We have, of course, Peter Karl, President and CEO  
25 of ECHN and Joyce Tichy who is Senior Vice President and



1 General Counsel for ECHN, we have Vin Petrini from Yale-New  
2 Haven Health System. Vin is Senior Vice President for  
3 Public Affairs for Yale-New Haven Health. We have Eric  
4 Wexler, who is Senior Vice President for Tenet Healthcare  
5 Northeast Region, and we have Trip Pilgrim who is Senior  
6 Vice President and Chief Development Officer for Tenet  
7 Healthcare.

8           What I'd like to do is review once again the  
9 guidelines for our Panel portion of the presentation -- of  
10 the Hearing.

11           First of all, again, you must sign in if you wish  
12 to comment, or ask a question of the Panel regarding the  
13 Letter of Determination. If you've not signed in and wish  
14 to speak, then please see Nina Kruse in the back of the room  
15 to do so. If you've signed up to testify, I'll call your  
16 name to come up to one of the microphones in front to make  
17 your statement or ask your question. Before you begin your  
18 testimony, please state your name and your town of residence  
19 and again in deference to allow everyone who wishes to speak  
20 time, we request you limit your participation to one  
21 appearance at the microphone, and keep your comments to  
22 approximately three minutes or less to ensure time for all.  
23 Your statements or comments should be directed to the  
24 contents of the Letter of Determination, which we have  
25 distributed. If you've signed in to testify, but have

1 changed your mind, when I call your name, just state "no  
2 comment".

3 If you've prepared a written legible -- if you've  
4 prepared written legible testimony, and the hour is growing  
5 late, you may leave your testimony with Nina Kruse, and with  
6 that, let me first call on Melodie Peters.

7 MS. PETERS: Thank you.

8 MR. McCONVILLE: I think it's on.

9 MS. PETERS: Is it on?

10 MR. McCONVILLE: Yes.

11 MS. PETERS: Okay.

12 MS. PETERS: Thank you very much. My name is  
13 Melodie Peters. I'm President of the American Federation of  
14 Teachers, and while I am not a resident of this lovely area,  
15 I have hundreds of members that are. I am proud to say that  
16 I represent twenty-nine thousand members, with the AFT  
17 Connecticut, seven hundred of them are employees of  
18 Manchester and Rockville, and honored to be here  
19 representing Sharon Thompson, who is the President of the  
20 Rockville RN's. I'm sorry if I bore you with redundancy, so  
21 I'm going to try to be a little bit brief, but for the  
22 record wanted to make sure that our message is heard.

23 AFT Connecticut recognizes that the healthcare  
24 landscape is quickly changing and that ECHN for many reasons  
25 has decided that the only path to long term financial

1 stability is to abandon its non-profit status and partner  
2 with a for-profit healthcare corporation. As healthcare  
3 professionals with a responsibility, and we're all on that  
4 boat, to advocate for our patients, their families and our  
5 communities, we are concerned about preserving patient  
6 access to high quality care and protecting the commitment to  
7 our community services program.

8           We strongly urge all actors in this proposed  
9 transaction to act openly, honestly and transparently by  
10 engaging stakeholders. They also, ECHN, initiated  
11 substantial discussions with us early on, and I'm really  
12 proud to say that you did that. As an organization it  
13 really shows where your commitment lies, and to bring the  
14 employees who actually live in the districts as well to the  
15 table to talk about this from the beginning means a great  
16 deal and what it did was allow us to address certain, what  
17 would be sensitive issues going forward, so that we can  
18 partner in this venture, and it did that. It made some  
19 changes to, as you heard, changes to the contract  
20 agreements, it addressed some of the concerns that we had,  
21 you communicated with your employees all along, and to your  
22 credit, during these discussions, the collective we said  
23 let's go to the community and you did that, and you had as  
24 was mentioned two community forums to talk about what was  
25 happening in their community.

1           There are some things though that I think the law  
2 falls short, and I will be one of the first to say that I  
3 was advocating for a little bit more teeth, but we do have  
4 some flexibility and hopefully we will achieve some of those  
5 changes through this process and the AG's actions.

6           The CON Determination legal notice mentions the  
7 establishment of a local advisory Board of Trustees and  
8 that would include implementing a strategic business plan  
9 would include medical staff, quality assurance oversight.  
10 It would be comprised of physicians and individuals drawn  
11 from the local community. Too often, I've seen where  
12 individuals that are drawn from the local community and that  
13 can be defined as you wish, are people that really are not  
14 true stakeholders, that actually have a stake in how their  
15 quality of life is going to be, so we are asking you to  
16 consider in this advisory board to include those  
17 stakeholders that actually have a stake in it, and not some  
18 corporate, and I say this respectfully, some corporate giant  
19 from New York, or from wherever, and it would be great if  
20 you did this on your own; if not, we're urging the Attorney  
21 General's Office to consider that strongly.

22           We also think a part in the Legislation that  
23 failed to not be included was an independent monitor. We  
24 all have somebody who's going to do checks and balances for  
25 us. I mean certainly the State has that and when you have

1 this much of an investment, and I thank you for that  
2 investment. When you have this much of an investment, not  
3 only financially, but from ground swell support from the  
4 community, then we need to be responsible in terms of  
5 monitoring that, and we would ask that you would consider  
6 doing that as well. If not, we are asking the Attorney  
7 General to consider that.

8           One of the great things that we can do is our  
9 charitable care and our community benefits and proposals  
10 were rejected during the Legislative Session, so I said last  
11 night, you know, there were some losses and some wins and  
12 you don't like to see sausage being made, and I spent twelve  
13 years in the Senate and I know how that happens, but you  
14 know that at the end of the day there's always room for  
15 improvement and so one of those areas would be to require  
16 hospitals undergoing conversion to establish written  
17 agreements detailing minimum levels of spending on  
18 charitable and uncompensated care, community outreach and  
19 volunteer service.

20           As a healthcare provider myself, and it's strange  
21 because I'm President of a Teachers' Union or half teachers,  
22 but I'm a healthcare provider, and one of the things that  
23 means a great deal to me is if someone in the community is  
24 sick and they present themselves at the emergency room that  
25 they get the treatment that they deserve and not be turned

1 away because they don't have the ability to pay. It's  
2 extremely important for me, it's extremely important for AFT  
3 Connecticut. We have looked at hospitals in the State that  
4 do need help financially in order to be able to do this and  
5 they're not our AFT hospitals, that's so strong we are in  
6 advocacy for this, and we call on you and your partners to  
7 establish this, and, of course, if you can't do that, we  
8 urge the Attorney General's Office to look at this.

9           Unemployment -- I said unemployment last night,  
10 too. Oh my goodness -- employment, we know that the CON  
11 Determination Legal Notice promises -- offers employment to  
12 substantially all ECHN employees with salaries and benefits,  
13 consistent with Tenet employees, and I did say last night,  
14 and I want to say this again, because I sincerely mean this,  
15 we have a working relationship.

16           We also have a partnership, not to the degree that  
17 some have, but we have a partnership, we have input, and I  
18 really applaud Tenet for doing that, because change is  
19 difficult to begin with. I almost fell apart when we went  
20 from glass thermometers to the -- you know -- the -- now  
21 they're even more fancy, so change is difficult for anybody.  
22 Given our collective relationship with ECHN, we encourage  
23 that you not only honor the existing collective bargaining  
24 agreements through their duration and we thank you for that,  
25 but we also hope that we can build on the relationship to

1 continue that collective bargaining arrangement. You will  
2 find that we are very comfortable to work with.

3 We also strongly urge Tenet Health Care  
4 Corporation and Yale-New Haven Healthcare Services to keep  
5 Rockville Hospital open as an acute care hospital, beyond  
6 the three years specified in the Determination Legal Notice.  
7 Closing it, as one of the communities' largest employers  
8 would have a devastating effect not just on the employees,  
9 but on the local economy as well, and I do believe you know  
10 that. It is a very precious part of the State, it's a part  
11 of the State that not only my members love living in, but  
12 also love contributing to the community and I would not want  
13 to see these residents let down.

14 In conclusion, understanding that we don't always  
15 agree, and we haven't, we had some "go to your corner"  
16 times, but at the end, we've ended up in a good place, and I  
17 would like to see that relationship continue, ending in a  
18 good place, to protect not only the quality of healthcare,  
19 but the access to healthcare, and I thank you for your time.

20 MR. McCONVILLE: Thank you, Melodie.

21 Next I'd like to call on Vernon's Mayor, Dan  
22 Champagne.

23 MAYOR CHAMPAGNE: Thank you.

24 I think you have the direction as to where I'm  
25 going here. Rockville's Hospital started many years ago as

1 an independent hospital, ninety-three years ago, to be  
2 exact, and I consider it Rockville's Hospital, it was  
3 started by donations from the community. It moved to 31  
4 Union Street, and it's been a very big part of our  
5 establishment here. Being the number two employer in town,  
6 that makes it that much more important to us, and you're  
7 also taking over the visiting nurses which is the number  
8 three employer, so protecting both of those organizations is  
9 a priority to me.

10 Now I heard numerous times during the conversation  
11 that, you know, this merger wants to protect, preserve and  
12 grow local access to healthcare services. I think I heard  
13 it a minimum of three times, and in order to do that, I look  
14 at the three year agreement and I just don't think that's  
15 long enough. I think a much longer agreement would -- would  
16 put a lot of people at ease. Obviously, on a local level,  
17 there's not much I can do, you know, to stop the merger, not  
18 that I want to, because I want to continue Rockville  
19 Hospital moving forward. I think one of the considerations  
20 that should have been taken place at the State is maybe  
21 lowering that tax burden, I think that would have helped  
22 considerably.

23 As we go through this process, starting today,  
24 this gives the residents of the Town of Vernon and this  
25 entire area a voice, and this is our chance to voice what we



1 think about this, and I think that the strongest, the  
2 biggest thing like I said, is the fact that we need a longer  
3 agreement. I think it would make me happy. I'm just hoping  
4 what you said during your presentation that you are going to  
5 preserve the local access.

6 I'm happy about the extra services that Yale is  
7 going to be providing at Rockville Hospital. I was happy to  
8 hear that during the presentation as well.

9 I'm going to continue to do everything in my power  
10 to make sure Rockville Hospital remains a vital part of this  
11 community, so you'll probably be seeing me at as many of  
12 these hearings as I can, and I'm going to say the same thing  
13 over and over again, so that you don't miss out, and  
14 anything else that I can do to just make sure Rockville  
15 Hospital isn't going anywhere, and I guess I aim that more  
16 at the Tenet Official than anybody at this point.

17 Thank you for allowing everybody here to speak and  
18 go on the record.

19 Thank you very much.

20 MR. McCONVILLE: Thank you, Mayor.

21 Next I'd like to call on Ginny Gengras. Would you  
22 please state your name and your town, please?

23 MS. GENGRAS: Ginny Gengras, Vernon, CT.

24 I have several points I'm going to make and  
25 several questions I'm going to ask and I don't expect

1 answers for them. In fact, let me tell you right now, I  
2 have been all day at Hartford Blooms, what a terrific thing.  
3 The Hartford -- that was to really put your best foot  
4 forward and here we're looking to see our best foot forward  
5 here in this area.

6 My questions first of all are for the concept of,  
7 is healthcare a business? And that's where I have a real  
8 problem with it, for-profit. I have a problem with for-  
9 profit schools, and for-profit prisons, and healthcare falls  
10 right along that same line; and so I'm just going to be  
11 quickly jotting a few comments down for you.

12 The Corporators, I question how informed they have  
13 been; now I've talked to a few and they don't have much  
14 information about the issues, and I will tell you my most  
15 important issue or information issue has been the Journal  
16 Inquirer our local newspaper; I couldn't have hired a lawyer  
17 to do better work, to be honest with you, and we can't,  
18 that's the whole issue. I have not seen a really good  
19 discussion of the basic issues and I think right across the  
20 country, I'm going to say, I don't care if it's healthcare,  
21 education, and whatever, we do not have national  
22 conversations, we just don't. The facts are hidden; in  
23 fact, one of my favorite personalities and purveyors of good  
24 information, Bill Moyers, the news is what they don't want  
25 you to hear, and they is an important concept. I feel very

1 strongly about that as a former educator as well.

2           The comment made to -- about the hospital tax, why  
3 is it that it happened that ECHN and other businesses did  
4 not make comments, why did we not know that. I read a lot  
5 of papers, I keep up with things, I don't know what's going  
6 on. How do we know how much the hospital tax has really  
7 crippled our hospitals? We don't. The lay person does not  
8 know this; all right, number one, and that could have been  
9 something to push for. We should never have that kind of  
10 hospital tax, the State is failing us, it's simple as that.  
11 Also, I have read the book "Five Days at Memorial". I  
12 happen to be in a book club and I have a friend who's a  
13 nurse and she said you need to read this, it's all about how  
14 Tenet failed New Orleans, and my question is, has everybody  
15 read that, and have our Legislators read that book, because  
16 by the looks of that, Tenet was a disaster. Tenet  
17 absolutely did not help the people, they walked away. If  
18 you haven't read it, check it out, it's a big thick book,  
19 "Five Days at Memorial", I'm saying it to the rest of the  
20 people, too.

21           So my real concern is, how viable is Tenet, and  
22 what I've been reading about is their unfunded liability.  
23 They have so many problems, I don't think they can take over  
24 hospitals, I just don't. From what I have done research on,  
25 I'm just real concerned about that.

1           The other comment -- so therefore I really want to  
2 know the financial status of Tenet. From what I found on  
3 the internet, it's not pretty. That I'd like to know, and I  
4 think also the concept our Legislators have failed us, I  
5 really am concerned that they have failed the State, I'm  
6 really concerned that they did not do their homework, and I  
7 think I'm going to give a comment to you, you'll bear with  
8 me because there's some stuff -- a lot of what I'm saying,  
9 I'll have a comment at the end. This was a recent article  
10 in the Journal Inquirer and I said "right on", if you  
11 recently watched and this by Don Michak and this was in the  
12 Journal on the 23rd of June -- If you have recently watched  
13 the Boston Red Sox game on Cable Television you may have  
14 seen a short, but stinging advertisement targeting  
15 Massachusetts Hospital Executives and calling for more  
16 transparency in hospital and healthcare company finances.  
17 The thirty second spot which shows two men in business suits  
18 relaxing on a sunny beach while sharing a iced bottle of  
19 champagne and aired as hospital chiefs from across the Bay  
20 State gathered for a three day powwow at a luxury resort in  
21 the tony Cape Cod town of Chatham. The ad decries of seven  
22 figure salaries, it says, were collected by C.E.O.'s at  
23 seventeen non-profit hospitals were cutting essential  
24 services and staff and as one in North Adams shutdown, which  
25 I followed as well. It charges that more than half of some

1 one billion dollars in hospital profits come from Government  
2 Health Insurance Programs, and the hospitals have stashed  
3 millions in undisclosed accounts in the Cayman Islands. I'd  
4 like a comment on that.

5           The commercial part of an unusual multimedia  
6 campaign mounted in part by the Massachusetts Nurses  
7 Association and aimed at winning public support for a bill  
8 pending in that State's Legislature, the Hospital Profit and  
9 Fairness Act. The measure which would impose claw back  
10 penalties on hospitals for excessive profits and executive  
11 compensation, and create a fund to increase funding options  
12 for hospital serving power, poorer populations and must be  
13 approved in July 2nd or appear as a ballot initiative ballot  
14 in November, and I think I have a couple more comments here  
15 too. I think that's probably it.

16           My comment at the end is, as you probably know,  
17 and again, I read enough to know that the United States has  
18 one of the worst healthcare systems in the world of  
19 developed countries. We also, in this country, pay more  
20 for our insurance and for our healthcare, and frankly I  
21 think insurance should be out of the business anyhow, so my  
22 question for you, as I end is: Indeed, is Tenet ready for  
23 the challenge to make us get out of that from number  
24 eleventh from healthcare and costs it's vital?

25           So, I have a lot of questions here, I'd love to

1 have some of them answered. There were none answered, I  
2 spoke before at other meetings, but thank you very much.

3 MR. McCONVILLE: So, excuse me, Miss Gengras, you  
4 wanted an answer to your last question?

5 MS. GENGRAS: Please.

6 MR. McCONVILLE: Would somebody like to take that  
7 from the panel?

8 MS. GENGRAS: Go for it.

9 MR. McCONVILLE: Is Tenet ready for the challenge?

10 MS. GENGRAS: Right, exactly.

11 MR. PILGRIM: Ready for the challenge?

12 MS. GENGRAS: Yes.

13 MR. PILGRIM: Needs more specificity in healthcare  
14 reform --

15 MR. McCONVILLE: Healthcare reform --

16 MS. GENGRAS: To --

17 MS. GENGRAS: Did you put your mic in?

18 MS. GENGRAS: Yes.

19 MR. PILGRIM: Okay.

20 MS. GENGRAS: The challenge to essentially improve  
21 the healthcare in terms of the cost and the fact of raising  
22 us up in terms of a country. In other words, Tenet is so  
23 big --

24 MR. PILGRIM: Yes, ma'am.

25 MS. GENGRAS: -- and therefore they should have the

1 obligation to raise the best healthcare at a lower cost.

2 MR. PILGRIM: And to answer your question, we  
3 certainly think we're up for the challenge. We've been  
4 embarking upon numerous initiatives across the country, in  
5 various markets, participating actively in the Medicare-  
6 Pioneer ACO Projects. We have one of those in Boston where  
7 we have -- excuse me, Detroit where we have the Detroit  
8 Medical Center which is an eight hospital system. We have  
9 demonstrated significant savings for Medicare, while at the  
10 same time increasing the outcomes. We have one of the  
11 largest risk based platforms of all the large healthcare  
12 companies centered out of California where we're doing value  
13 based care.

14 The things you speak of are absolutely right. I  
15 mean healthcare in this country for years was, you know, the  
16 financing -- financing of healthcare was predicated on the  
17 more you do the more you make. It had nothing to do with  
18 outcomes or quality, and from that prospective we absolutely  
19 agree with you, in that even before the Affordable Care Act  
20 was passed, you started seeing market reforms from things  
21 such as health savings accounts, that allowed a more  
22 consumer driven healthcare. People became more aware of  
23 their healthcare dollar and not spend, and you started to  
24 see shifts in the healthcare market place at that point to  
25 move away from this old fee for service world; again, where

1 it was strictly a volume-based world into a world where  
2 reimbursement, reward and compensation is based upon the  
3 value that you provide as a healthcare provider. Value  
4 being defined as the quality of the care you provide, and  
5 the efficiency of which you provide it. You know, our  
6 facility, and I can let Eric talk about Massachusetts, since  
7 that's actually in the neighborhood, so to speak. St.  
8 Vincent's Hospital is a Tier 1 Facility in the State of  
9 Massachusetts, and what that means is, it's the State  
10 recognizes St. Vincent's as providing some of the top care  
11 in the State at the most efficient level, providing value.  
12 You want to take it a little bit?

13 MR. WEXLER: My name is Eric Wexler, and I'm the  
14 leader for the Northeast Region of Tenet. I spent twenty  
15 years, by the way, living here in Connecticut, twelve of  
16 them working in Connecticut hospitals, in fact I worked  
17 right across the street here at the Juvenile Court under  
18 Judge Allen Smith for a while, while I was in college. So I  
19 know Rockville, and I love it, it's really a pleasure to be  
20 here and see all of you.

21 So if you drive up the highway thirty or forty  
22 minutes, you'll hit St. Vincent Hospital. I was a CEO there  
23 for several years, before I became the Leader of the Region,  
24 and this is a hospital that has as Trip said high value  
25 care. What that means is, we've been able to bring our



1 costs in line with the demands of the reimbursement reform  
2 that you've seen and at the same time, raise the quality of  
3 care. We are a top one hundred hospital in the United  
4 States. We are one of the top fifty cardiovascular  
5 hospitals in the United States. We have a great  
6 relationship with our Union there, the MNA, and we have  
7 superb employee satisfaction, so we believe that the  
8 ingredient to what we've been able to mix up at St.  
9 Vincent's Hospital has allowed for a lot of success in  
10 what's a very difficult health care reform environment.

11 MS. GENGRAS: I'd like to have you answer or  
12 comment on "Five Days at Memorial", how New Orleans Memorial  
13 Hospital failed; how you've failed them?

14 MR. WEXLER: I'll just briefly say and then I'll  
15 turn it over to Trip. A lot of things went wrong in New  
16 Orleans, and what happened with our hospital there was  
17 certainly not a good situation, but I can tell you this.  
18 Both Trip and I are new to Tenet. We were part of the  
19 Vanguard merger, and one of the things I want you all to  
20 know is I am extraordinarily impressed with Tenet's depth  
21 and experience from the bad times that have made this  
22 organization an even better organization than it was, so you  
23 know we all learn from our mistakes, and one of the things I  
24 found out very quickly when we became part of Tenet is we  
25 had a very big set of snowstorms this year, and every single

1 time when there was a snowstorm in Massachusetts, we got a  
2 call from the home office in Dallas wanting to know what we  
3 were doing to make sure we were prepared, what additional  
4 resources we needed and how they could help come to our  
5 rescue if necessary. Now we didn't need that, you know,  
6 we're used to snow around here, but I was really impressed  
7 with that.

8 MS. GENGRAS: That sounds good, let's hope it  
9 continues, thank you very much.

10 MR. PILGRIM: Just to follow, Eric is absolutely  
11 right, "Five Days Memorial", is a really stark depiction of  
12 a really, really horrible chapter in the country. It's the  
13 worst tragedy I think we've seen in our lifetimes and Eric's  
14 point there was a lot that went wrong, local level to state  
15 level, to federal level. At that time I was running our  
16 hospital in San Antonio, Texas. I was in the flight line at  
17 Killian Air Force Base. We took in twenty-two thousand  
18 refugees from New Orleans, and you know the stories that we  
19 were given from the first responders who came out of San  
20 Antonio that went over to New Orleans is hard to fathom. It  
21 was really hard to fathom and, yes, it was a very difficult  
22 time, and to Eric's point having come over from Vanguard the  
23 amount of focus that Tenet has put, not only on its people,  
24 on its patients, on its communities in terms of being able  
25 to prevent something like that ever happening again, with

1 the amount of focus they put on just compliance, doing the  
2 right thing at the right time, in the right amount, and if  
3 there's something going on in the company that's not  
4 supposed to be, we want to have the structures in place to  
5 identify it, root it out and fix it. And when you have a  
6 hundred and three thousand employees someone somewhere is  
7 likely not to do something you want them to do. So you want  
8 to have the mechanisms in place to identify that, and we've  
9 been recognized by a third party organizations as having a  
10 great compliance program and great governance with our Board  
11 of Directors, so -- yes, ma'am, we are way up to it.

12 MS. GENGRAS: Thank you.

13 MR. McCONVILLE: I'm sorry, Miss Gengras, I've  
14 been asked that given that you have read an excerpt from the  
15 Journal Inquirer, the transcript must reflect the author and  
16 the date of the publication, as you are not the original  
17 author. Can you give us the date and the author?

18 MS. GENGRAS: June 23rd.

19 MR. McCONVILLE: June 23rd, and that was written  
20 by --

21 MS. GENGRAS: June 23rd.

22 MR. McCONVILLE: That was written by?

23 MS. GENGRAS: (Inaudible.)

24 MR. McCONVILLE: Who was it written by, ma'am?

25 MS. GENGRAS: (Inaudible) Don Micak, M-I-C-A-K.

1 MR. McCONVILLE: Don Michak, thank you.

2 MS. GENGRAS: (Inaudible.)

3 MR. McCONVILLE: Actually, I'll take the article,  
4 I'm sure I have a copy in my office. I have close to a  
5 hundred and seventy articles from the J.I.

6 MS. GENGRAS: (Inaudible.)

7 MR. McCONVILLE: Thank you so much.

8 Thank you and thank you for your questions.

9 All right, next I'd like to call on State  
10 Representative, Claire Janowski.

11 REPRESENTATIVE JANOWSKI: Good evening, I am State  
12 Representative, Claire Janowski. I represent the 56th  
13 District of Vernon and Rockville, and I have been a resident  
14 of this community for over thirty-eight years. I am also a  
15 client user of the ECHN network utilizing both Rockville  
16 General Hospital, ECHN doctors, and as well as the  
17 affiliates, East of the River, Manchester, I believe there  
18 are facilities in, if I'm not mistaken, Windsor and East --  
19 not East Hartford, Glastonbury.

20 I am here to bring to your attention concerns  
21 expressed to me by constituents in my district, especially  
22 our seniors and disabled population concerning the potential  
23 major reduction in services and ultimately closure of  
24 Rockville General Hospital.

25 This potential closure was substantiated at the --

1 one of the ECHN information meetings when information was  
2 given that there would be a three year commitment that it  
3 would not close; therefore, the potential that the hospital  
4 could conceivably close or reductions be reduced drastically  
5 is very real and it is of extreme concern to the residents  
6 of our town.

7           It is of particular concern to the high senior  
8 population and the families who live in Rockville's  
9 plentiful and affordable housing, as well as the subsidized  
10 complexes available through Vernon's Housing Authority,  
11 located in very close proximity to Rockville General  
12 Hospital. Although the subsidized housing was initially  
13 completed and established for seniors due to a shortage of  
14 housing throughout the State of Connecticut. It is now also  
15 provides housing for disabled adults of all ages and as well  
16 as seniors, and also includes other placements in need of  
17 housing referred to by the Department of Social Services or  
18 even the Federal Government.

19           The majority do not drive, and the local  
20 ambulatory service, and they do have transportation issues  
21 so that they are not able to access care outside the  
22 parameters of Vernon. They rely heavily on the close  
23 proximity of the local ambulatory service for emergency care  
24 in access to Rockville General Hospital for preventive care  
25 and also their acute care needs. Without the hospital

1 services in close proximity, this underserved population  
2 would not have access to needed care.

3           Rockville General Hospital is also extremely  
4 important to nursing home patients. Vernon's Fox Hill and  
5 Vernon Manor Nursing Homes rely on the quick response of the  
6 town's ambulatory service and quick transport to Rockville  
7 General Hospital. The ECHN owned Woodlake at Tolland, a  
8 rehab facility, nursing home and rehab facility, also  
9 greatly relies on Rockville General Hospital. These  
10 facilities -- these facilities all rely on the close  
11 proximity which from any of the facilities is between three  
12 and four miles to transport to Rockville General Hospital  
13 for emergency and ongoing care, that the nursing facilities  
14 are not able to accommodate or provide in emergency  
15 situations.

16           Without Rockville General Hospital, the fragile  
17 elderly population would be placed at risk as transfer times  
18 would be forced to double or triple and availability of  
19 emergency vehicles would be hampered by longer, more time  
20 consuming trips; however, it is not just the underserved and  
21 elderly population in Vernon that would be at risk, the  
22 potential closure or drastic reduction in services would  
23 also be chilling to the surrounding communities of Tolland,  
24 Ellington, East Windsor, Somers, Stafford, Willimantic,  
25 Coventry, Bolton, South Windsor, and many other towns in the

1 region, who now rely on timely and efficient response times  
2 for their 911 emergency calls. 911 emergency calls received  
3 by Vernon's Dispatch Ambulatory Service is high. It is --  
4 my understanding is it's over four thousand calls yearly,  
5 that's approximately seventy-seven weekly calls for  
6 emergency ambulatory service; and all of those transfers go  
7 to the emergency room at Rockville General Hospital for care  
8 and room admission. Seventy-five of the calls are from  
9 elderly patients, and an additional ten percent are from  
10 Medicaid patients of all ages living in public housing  
11 within the area. Many of the patients, I am told,  
12 specifically request Rockville General Hospital, out of  
13 choice, and without Rockville General Hospital, the  
14 ambulance response and transfer time would double or triple  
15 jeopardizing patient care to the entire region.

16           While I recognize the financial conditions that  
17 led the ECHN Board of Trustees and the Hospital Corporators  
18 to approve going forward with the for-profit merger, the  
19 potential of closure of Rockville General Hospital creates a  
20 major health service access problem for seniors, as well as  
21 the underserved population not only in Vernon, but the  
22 surrounding region. The increased response and transfer  
23 times associated with 911 calls would also create problems  
24 with emergency response times jeopardizing the ability for  
25 providing proper, efficient lifesaving care.

1           For these reasons, I am requesting that any  
2   approvals by the Attorney General's Office or the Office of  
3   Healthcare Access regarding the Application include a  
4   stipulation or an agreement that Rockville General Hospital  
5   remain open indefinitely or a reasonably agreed to timeframe  
6   as an acute care facility with inpatient and outpatient  
7   services.

8           Given its proximity in the east to I-84, which is  
9   a major throughway, the needy population it serves as well  
10   as the many towns it serves, it would appear that Rockville  
11   General Hospital is well suited for expansion, not closure  
12   or reduction of services.

13           I would also like to mention that I had the  
14   opportunity to attend the Public Hearing last night which,  
15   by the way, I found very, very informative, and had the  
16   opportunity to listen to the testimony from the Unions, and  
17   I would like to lend my support for their concern for --  
18   concerning jobs they are negotiating and support their  
19   efforts to maintain jobs here and elsewhere within the  
20   hospital communities that are being bought. I would also  
21   like to lend my support to the concerns expressed and  
22   protections being requested by the Connecticut Citizens  
23   Action Group last night who also testified. A lot of their  
24   concerns are concerns that unfortunately were not vetted at  
25   the Legislature when the Legislation -- when the recent



1 Legislation was adopted, and I think that there was room for  
2 some of those issues to be reconsidered and negotiated  
3 through your organization, and I thank you for the time.

4 I do have written testimony that I will be  
5 providing.

6 Thank you.

7 MR. McCONVILLE: Great.

8 Thank you, Representative Janowski.

9 Joyce.

10 MS. TICHY: I just would like to make a comment to  
11 that. I think as I said earlier our current CON Application  
12 will have no request for change to services, and in fact  
13 were there to be ever a decision by Tenet to close Rockville  
14 Hospital, it would have to submit an entirely separate  
15 additional CON Application justifying the basis for the  
16 closure. It just couldn't close it without it.

17 REPRESENTATIVE JANOWSKI: If I can respond, is  
18 that okay?

19 MR. McCONVILLE: Sure.

20 REPRESENTATIVE JANOWSKI: And I understand that  
21 there is a separate Application involved, but there is  
22 nothing that would prohibit -- I mean once the horse leaves  
23 the stable, it's gone, so there is nothing that would  
24 prohibit Tenet from applying for another CON for major  
25 changes or closure within a certain period of time after the

1 Application is accepted. That three-year period that we  
2 were talking about that it wouldn't happen, that's about the  
3 timeframe that it takes to be able to process a new  
4 Application for a termination of service and/or a  
5 termination of a hospital. So I think we need assurances  
6 more than just, you know, it's not going to happen in three  
7 years. You know, I agree with the Mayor that was here with  
8 his testimony that there is a perception in the community  
9 that once the merger takes place that things are going to  
10 start moving rather quickly, and there's a real potential  
11 that closure will happen, and they need assurances.

12 MR. KARL: Let me briefly respond to that also.  
13 The reason why we're entering into this type of an agreement  
14 is to keep the organization open. If we weren't entering  
15 into this type of Agreement, unfortunately, we'd have to  
16 make some really tough decisions, and that's the decision we  
17 won't let do, and under my watch, there's no way that I want  
18 to lose physicians here or I want to close Rockville General  
19 Hospital, not at all.

20 The taxes that were passed crippled every  
21 organization in the State of Connecticut. The taxes that I  
22 showed you up there when we were making a profit of eight  
23 million dollars, and I hear that not-for-profit shouldn't  
24 make a profit; well, if you don't make a profit you can't  
25 reinvest. So when the State came down and voted to pass

1 those taxes, it brought every organization to its knees.  
2 Hartford Healthcare just laid off three hundred and fifty  
3 people, Gaylord Hospital just closed all the sleep apnea  
4 centers, Backus Hospital closed their daycare center,  
5 Hartford Hospital laid off a hundred and seventy-five people  
6 last year, three fifty this year, St. Francis just shut down  
7 a whole unit. All that came to play because of the taxes  
8 that came down from the State Government, so the only way  
9 we're able to survive going into the future is by partnering  
10 with someone else.

11 REPRESENTATIVE JANOWSKI: And I understand that  
12 I'm not here to --

13 MR. KARL: But if you say that you have to keep  
14 the hospital open, the only way that both of our hospitals  
15 have a chance to stay open is to partner with a great  
16 organization, and that being Tenet and Yale-New Haven,  
17 that's the only way. If not, those CON's for closing  
18 organizations would be going in sooner than you think.

19 REPRESENTATIVE JANOWSKI: And I respect that and I  
20 understand that. All I am bringing to you is the perception  
21 that is in the community that the hospital could conceivably  
22 close within a three-year period and the knowledge that many  
23 people that, for example, the other two hospitals were given  
24 a broader number of commitment in terms of closure. I think  
25 Bristol was given eight years, and the other hospital was

1 also given eight years, so, you know why is there such a  
2 disparity in the period of commitment with Rockville General  
3 Hospital. This is the information I'm giving you because  
4 this is what I'm hearing from constituents.

5 MR. PILGRIM: The Bristol -- the Bristol numbers  
6 not public, but the Waterbury is, and there is a disparity  
7 in it; generally, it has to do with the environment, the  
8 community, the size of the community. Look at Detroit, we  
9 had a ten year commitment in Detroit. We bought two  
10 hospitals in the western suburbs of Chicago, we had a two  
11 year commitment, so it varies, based upon the circumstances  
12 of the transaction. You've seen, you know, one partnership  
13 between one partnership. I mean the hospitals in Chicago  
14 were in a very challenging part of the community, they've  
15 not been failing, and they were slated to be closed, and we  
16 said we'd give it a shot, and they're still open today --

17 MR. WEXLER: Four years later.

18 MR. PILGRIM: -- four years later and thriving.  
19 Our goal as a company is not to acquire hospitals to close  
20 them, it's to come in and make the appropriate capital  
21 investments, insuring continued access and care for the  
22 community that it serves in a sustainable way, because the  
23 community deserves to have the knowledge that their care is  
24 going to be there and be available, so it's no one's desire  
25 to close anything; in fact, we'd like to invest and grow it,

1 that is our model and that is what we point out in the  
2 markets across the country where we've done transactions.

3           REPRESENTATIVE JANOWSKI:     And just one more  
4 comment with regard to the hospital tax. Many of us feel  
5 that is an issue, and many of us fought against the hospital  
6 tax, I believe it was part of a tax package that was passed  
7 a few years ago, two years ago, I believe, and initially the  
8 reason as it was explained to me that was done was because  
9 of the new Affordable Healthcare Act that more funding would  
10 be needed locally, and the money would be going back to the  
11 hospitals. Something happened and it didn't go back to the  
12 hospitals. Somebody negated and I believe that happened at  
13 the State level, so it's not -- it didn't work as intended.  
14 However, some of the uncompensated care dollars for the  
15 indigent and the uninsured did continue especially to the  
16 small community hospitals.     Rockville received over  
17 \$650,000.00 last year over and above what they were cut the  
18 year before. Maybe Manchester didn't, but Rockville faired  
19 pretty, pretty well, and even if it goes to a for-profit  
20 that doesn't mean that there may not be some uncompensated  
21 care dollars because that's still a need, and I believe  
22 that's also something that a lot of us are fighting to  
23 continue. So I just wanted you to know that.

24           Thank you.

25           MR. McCONVILLE: Thank you, Representative.

1           We have testimony that Representative, Timothy  
2 Larson, has asked us to have read into the record, so I'm  
3 going to ask Dr. O'Neill to do that at this time.

4           DR. O'NEILL: Thanks, Dennis.

5           Representative Larson couldn't be there -- be here  
6 this evening, but he wanted his letter read into the record.  
7 It's addressed to the Honorable George C. Jepson and the  
8 Honorable Jewel Mullen, Commissioner, Department of Public  
9 Health. Honorable George Jepson is the Attorney General.

10           "I am pleased that Governor Malloy signed into law  
11 PA14-168, an act concerning Notice of Acquisitions, Joint  
12 Ventures, Affiliations of Group Medical Practices and  
13 Hospital Admissions, Medical Foundations, and Certificates  
14 of Need.

15           This Legislation makes it possible for the  
16 potential transaction of Eastern Connecticut Health Network  
17 and the Joint Venture between Tenet Healthcare and Yale-New  
18 Haven Health System to move forward.

19           You are aware, as I, that many of Connecticut  
20 Hospitals have expressed their concern of running out of  
21 options to remain sustainable in an ever changing healthcare  
22 environment.

23           This Law provides ECHN with a credible option that  
24 will allow it to serve the communities east of the river for  
25 many years to come.

1           It is important for State and Federal public  
2 servants to insure that our constituents have local access  
3 to quality healthcare that is affordable. While we must  
4 protect our citizens, we also have an obligation to support  
5 the efforts of our community hospitals, which are striving  
6 to continuously improve quality, while reducing costs, but  
7 struggling with lower payments for services and continued  
8 planned cuts in State and Federal reimbursements proposed by  
9 the centers for Medicare and Medicaid services.

10           From my conversations with Representatives of  
11 ECHN, Tenet and Yale-New Haven, I believe this proposed  
12 transaction will benefit patients, employees of ECHN, and  
13 the communities served by this healthcare system. Access to  
14 capital will allow ECHN to keep its two hospitals,  
15 Manchester Memorial and Rockville General viable and  
16 efficient through the expansion of service lines, to upgrade  
17 its facilities and equipment to meet State and Federal code  
18 requirements and to remain flexible to quickly respond to  
19 patient needs and expectations.

20           Therefore, I encourage the Office of Healthcare  
21 Access and the Office of the Attorney General to look  
22 favorably upon the proposed transfer of assets as described  
23 in the Certificate of Need Determination Letter recently  
24 filed by ECHN.

25           Regards, Timothy Larson, State Representative,

1 House of Representatives, State of Connecticut"

2 MR. McCONVILLE: Thank you, Dr. O'Neill.

3 Next I'd like to call on Dr. Ellen Marmer.

4 DR. MARMER: Being short, I never stand in front  
5 of a tall microphone. I'm Dr. Ellen Marmer, Vernon,  
6 Connecticut. I've been in practice in this community for  
7 forty-five years. I've been a Mayor, two term Mayor in this  
8 community not too long ago. I'm very interested in trying  
9 to make the best of a very bad situation.

10 Tenet is not a good partner, but it's probably the  
11 only partner that we have at this point, so maybe the State  
12 Legislature, OHCA and Jepsen can make sure that Tenet owns  
13 up to its responsibilities to keep Rockville Hospital as an  
14 acute care facility, which also has a separate operating  
15 license, and the reason it has a separate operating license  
16 is that many of us felt that this would insulate and insure  
17 Rockville Hospital's viability when it was merged with  
18 Manchester Hospital many years ago. So I think that the  
19 Attorney General has to look at the legal limits of what can  
20 be done with Rockville Hospital when we have a viable  
21 current separate operating license, the Rockville Community  
22 is also a Federally mandated underserved medical area, which  
23 should play a part in making sure that our services are  
24 maintained.

25 You know I have to say that I don't have a warm



1 feeling in my heart for attorneys, but I have to say that  
2 Attorney Tichy's presentation was actually excellent. It  
3 was lengthy, but needed to be lengthy. I happen to agree  
4 with Peter Karl in this instance about the State mandating  
5 the finances that are killing hospitals all over the State  
6 of Connecticut. I also have to say that the Affordable Care  
7 Act is unaffordable for many of my patients, and for many  
8 individuals and I call it not Obamacare, I call it Obama  
9 Doesn't Care, or actually I have some favorite words for it  
10 besides that, but they are not publicly appreciated right  
11 now.

12           When I have a twenty year old patient who has a  
13 heart valve in place, who's been through three open heart  
14 surgeries, who has a very dysfunctional family situation,  
15 that is on Medicaid Husky right now, and he wants to make  
16 something of himself, but if he were to work a little bit  
17 more than the part time job he works at Dunkin Donuts right  
18 now, he would be off Husky, and he needs his Coumadin, he  
19 needs his after load reduction, he needs his care and even  
20 though I've given him free care for almost twenty years, in  
21 many respects, he's not going to get that care, and he's not  
22 going to go anywhere because the system is counterproductive  
23 to someone like this trying to pull himself up. He's a high  
24 school graduate, he's a local resident, and it's -- you know  
25 we're not going to solve all these problems.

1 All I ask is that Tenet puts its money where its  
2 mouth is and keeps Rockville Hospital open, and I can tell  
3 you I'm glad to give you my insightful impact on how you can  
4 make Rockville Hospital very viable, and larger, and serving  
5 the community in a viable way. I can give you my CV that  
6 would make you really pass out because it's about twenty  
7 pages of what I've been including Vice President of the  
8 American Heart Association, so I know health care, I know  
9 community needs, and I know a lot of the things that  
10 "fairness corporations" and other people really don't know,  
11 because Corporate America isn't Rockville America, and I'm  
12 interested in making sure that Rockville-Vernon Community  
13 stays intact and has the help; and, you know, you have to  
14 realize one last thing in my pitch here is, if you think  
15 that the people who gravitate to Rockville Hospital for care  
16 who actually have access to a car or some kind of vehicle,  
17 okay, if you think they are going to go to Manchester  
18 Hospital if Rockville is decreased in what they can do, or  
19 not an acute care hospital, you are sadly mistaken, because  
20 once you get into that car, you're going to head down the  
21 highway and you're going to go to St. Francis, and you're  
22 going to go to Hartford Hospital, you're not going to go to  
23 Yale, and so, you know, that's the real object here, so if  
24 you want to make Rockville viable, you've got an opportunity  
25 and the question is, are you going to go back to your bad

1 practices that have been well documented and publicized and  
2 maybe make your turnaround in that bad practice be in our  
3 community and show what you actually can do as a positive  
4 force for good.

5           Because one of the things I say to the students I  
6 teach is, I can teach you a lot but I cannot teach you how  
7 to care, and I'm challenging everyone of you to care enough  
8 about this community or any community hospital that you are  
9 involved in to make it work, show it can work.

10           Thank you.

11           MR. McCONVILLE: Thank you, Doctor.

12           To hear the testimony from another physician on  
13 the ECHN medical staff, Dr. Robert Carroll, who is Director  
14 of Emergency Services for ECHN has asked that Dr. O'Neill  
15 read his testimony into the record.

16           DR. O'NEILL: This is to the Attorney General, the  
17 Office of Health Care Access and the Members of the Hearing  
18 Panel.

19           "I apologize for not being able to attend this  
20 forum in person, but would like to express my opinion on the  
21 acquisition publicly. As the Chair and Senior Medical  
22 Director of the Department of Emergency Medicine and the  
23 Service Line Director for Emergency Services at ECHN, I  
24 would like to express my excitement about the future  
25 acquisition of ECHN by Yale and Tenet.

1           For the past several years, we have been facing  
2 one financial challenge after the next, whether it be in the  
3 form of hospital taxes, sequestration, Medicare  
4 reimbursement cuts, pension reform or unfunded quality  
5 reporting mandates, the only way we have been able to meet  
6 these challenges has been to do more with less. My view on  
7 healthcare is that we are facing the same struggles now that  
8 the smaller department stores and hardware stores faced a  
9 decade or more ago with the emergence of Walmart and Home  
10 Depot. Their ability to purchase goods in such large  
11 quantities made it impossible to compete with their prices  
12 and many of the mom and pop stores eventually went out of  
13 business. This is the path that I believe ECHN would be on  
14 if we did not proceed with this acquisition.

15           I, as a healthcare provider, and ECHN as a  
16 healthcare system, have an obligation to the patients we  
17 serve. Our obligation is to be there for them in their time  
18 of need and to provide the expertise, staff, and equipment  
19 necessary to diagnose and treat them at any hour of the day  
20 or night.

21           The acquisition of ECHN by a larger system is the  
22 only option that would allow us to continue our mission of  
23 improving your well-being by providing high quality,  
24 compassionate health care.

25           Without the ability to join a larger system, our

1 costs will be higher than our competitors, our ability to  
2 recruit skilled physicians and nurses will become more  
3 difficult and we would eventually find ourselves out of  
4 business.

5 I've been asked many times why partner with Yale  
6 and Tenet, rather than with one of the other large systems  
7 closer to Manchester and Rockville.

8 My desire for Yale and Tenet is based on my belief  
9 that they would be the best option for both the patients we  
10 serve and for the staff we employ.

11 Yale and Tenet are physically far enough away that  
12 in order to succeed they have to help grow our system to  
13 allow us to directly compete with other local competitors. I  
14 feel that if we had chosen to partner with a nearby  
15 competitor, we would eventually become victim to  
16 consolidations of services and locations such as the John A.  
17 DeQuattro Cancer Center. This would directly impact access  
18 to healthcare for our patients in our communities.

19 In my fourteen years at ECHN I have watched our  
20 competitor advertise their cutting edge therapies during the  
21 primetime news, and open healthcare centers in our own  
22 neighborhoods. I've read about their latest minimally  
23 invasive cardiac procedures, and I've heard on the radio  
24 about their world class stroke therapies.

25 It would really be nice to have the access to the

1 capital funding that would allow us to advertise the cutting  
2 edge programs we have here at ECHN; however, the ability to  
3 grow and advertise these type of services is becoming  
4 virtually impossible under the financial constraints we are  
5 facing.

6           With the implementation of the Affordable Care  
7 Act, the increase in Medicaid volume, and the State's taxes  
8 on hospitals, remaining independent is futile and no longer  
9 an option. A partnership with Yale and Tenet will afford us  
10 access to the clinical expertise our patients deserve, as  
11 well as access to the desperately needed capital funding so  
12 that we can resume investing in our technology, staff and  
13 infrastructure.

14           This partnership will position ECHN competitively  
15 for the foreseeable future of healthcare."

16           Signed, "Sincerely, Robert Carroll, M.D., Chair  
17 and Senior Medical Director, Department of Emergency  
18 Medicine, Eastern Connecticut Health Network"

19           MR. McCONVILLE: Thank you, Dr. O'Neill.

20           Next I'd like to call on Bob Silosofski  
21 (phonetic).

22           MR. SILOSOFSKI: Good afternoon, Bob Silosofski.  
23 Just one question, about -

24           MR. McCONVILLE: Your town of residence.

25           MR. SILOSOFSKI: Oh, yeah, Vernon.

1 I volunteer, my wife volunteers both at ECHN, and  
2 if we're spending -- if Tenet is going to put in seventy-  
3 five million dollars for improvement, why would you even  
4 want to think about closing Rockville Hospital? Can we just  
5 change it to fifteen years? Would that be something that  
6 can be done as opposed to the three years that's in the  
7 contract right now? I was born in Rockville Hospital sixty-  
8 four years ago. As a matter of fact, sixty-five tomorrow.

9 MR. McCONVILLE: Happy birthday.

10 MR. SILOSOFSKI: Thank you.

11 MR. McCONVILLE: Thank you, sir.

12 MR. SILOSOFSKI: Can we change it?

13 MR. PILGRIM: We've got a process, a very long  
14 process to get through, the Attorney General and Office of  
15 Healthcare Access, and I'm sure that issue amongst a couple  
16 of dozen others are going to get a lot of attention and  
17 discussion.

18 MR. SILOSOFSKI: I think if you could, I think you  
19 would relieve a lot of tension.

20 MR. McCONVILLE: Thank you. And Kathy Silosofski,  
21 did you want to make a comment.

22 MS. SILOSOFSKI: (Inaudible.)

23 MR. McCONVILLE: Thank you.

24 Next I'd like to call on Sharon Thompson.

25 MS. THOMPSON: Hello, I'm Sharon Thompson, I'm

1 from Stafford -- I'm from Stafford, Connecticut, I am also  
2 the President of the Nurses' Union at Rockville Hospital,  
3 and as you can tell, I didn't plan to speak today, so --  
4 I've been an employee for almost twenty-three years and I  
5 have seen it go through a lot of changes and listening to  
6 people tonight, I felt that as an employee for so long I  
7 needed to speak.

8 I've seen a lot of services leave Rockville  
9 Hospital. I was a Pediatric Nurse when I started, there's  
10 no more pediatrics at Rockville Hospital. I was a Med Surg  
11 Nurse on Bissell I, there is no more Bissell I, at Rockville  
12 Hospital as an inpatient. I was an OB Nurse at Rockville  
13 Hospital, there is no more Birthplace at Rockville Hospital.  
14 These are services that are very important to the community.  
15 I now work in the O.R. and I hope that there will still be  
16 an O.R. at Rockville Hospital for a long time to come  
17 because I'm getting a reputation, okay, but -- so I just  
18 wanted to say that having lived through all of these changes  
19 at Rockville Hospital, it's so important for the community,  
20 these services, the Birthplace closing was devastating for  
21 not only the employees, we were a family there, I had my  
22 kids there, but for the community, and the patients that  
23 were seen at Rockville Hospital did not go to Manchester. A  
24 lot of them went into Hartford and we lost these people.

25 Community Hospitals are birth to death hospitals,



1 you're born there, you seek your seek your services there,  
2 eventually you may die there. You have your doctors there.  
3 I have lived in various places while the time I worked  
4 there, my doctors are all still here. I drove forty-five  
5 minutes when I was in labor because I was coming to my  
6 hospital.

7 In losing the Birthplace, we lost a vital part of  
8 this. I hope that we maintain the services at Rockville  
9 Hospital and I hope that in the future maybe some of these  
10 other services we have lost can come back for this  
11 community. That's all, thank you.

12 MR. McCONVILLE: Next, I'd like to call on Matt  
13 Reiser.

14 MR. REISER: I came in late to the party, sorry.

15 MR. McCONVILLE: Name and town.

16 MR. REISER: Matt Reiser, Vernon, Connecticut,  
17 lived here pretty much all my life too between Vernon and  
18 Manchester. I know a number of people here in these rooms,  
19 I don't want to denigrate anything that's been said here  
20 tonight, it's all legitimate, they're real concerns and so  
21 forth and I trust you folks are going to be addressing  
22 those.

23 As you know, I've spent about twenty years in  
24 healthcare governance here in this area; about eight years  
25 or so at Rockville, another, ten, eleven, twelve years,

1 whatever it was at ECHN, including a term as Chairman of  
2 ECHN, so I went through the succession of chairs, treasurer,  
3 you know, vice chair, led all your different kinds of  
4 committees over the years and so forth, so I'm pretty well  
5 versed in healthcare governance. By the way, I'm also a  
6 Director of Indian River Medical Center, currently down in  
7 River Beach, Florida, so my experience is not old. I'd like  
8 to think it's current, and I don't want to belabor anything  
9 that's been said here tonight.

10 We all know the challenges facing healthcare today  
11 are very numerous and very big challenges, very formidable  
12 challenges, and I'll keep it simple, because a lot of people  
13 said on the record Matt where are you coming down on this  
14 thing, and in my view the only way we will continue to  
15 insure local access to quality care is to do this  
16 transaction, period, that's it. Anybody want to elaborate  
17 on that at some point in time, you can buy me a beer and we  
18 can talk about it.

19 MR. McCONVILLE: Thank you, Matt.

20 And, finally, on my list we have a Corporator of  
21 ECHN, Kye Cohen, who has asked Joy Dorin, an ECHN Trustee to  
22 read her testimony.

23 MS. DORIN: "As a Corporator of ECHN, I have  
24 always been extremely impressed with the vision, intellect  
25 and communication skills of Peter Karl and Dennis O'Neill. I

1 am comfortable with their decisions regarding the ECHN  
2 merger, and it's my hope that the company becomes more  
3 viable and successful as a result.

4 As a business owner, I am keenly aware of the need  
5 for economies of scale. My organization's ability to partner  
6 with a larger entity allows us to stay in business, pass  
7 immense savings on to our customers, and be philanthropic to  
8 the greater Manchester community.

9 The common thread that exists between ECHN and my  
10 business is that we both face a highly competitive  
11 marketplace. I truly understand the need for ECHN to adapt  
12 to a rapidly changing healthcare environment and fully  
13 support the merger, so that we may go forward and keep  
14 quality healthcare in greater Manchester.

15 Respectfully submitted, Kye Cohen, Owner  
16 Shoprite's of Manchester and East Hartford"  
17 Thank you.

18 MR. McCONVILLE: Thank you, Joy.

19 Is there anybody else who has signed in to  
20 testify?

21 All right, I'd like to call Mike Winkler.

22 MR. WINKLER: Mike Winkler of Vernon. I think  
23 the micro level picture has been well flushed out. I'd just  
24 like to look at the macro and historic picture for just a  
25 second.

1           Tenet is a for-profit corporation and so one of  
2 the problems I've always had with American capitalism is the  
3 maximization of profits, and that seems to be the culture in  
4 this country.

5           What I'm afraid of is that the profit in medical  
6 services is going to be squeezed out. We already see in  
7 health insurance that my daughter got a check because the  
8 overhead of her insurance company was above the maximum and  
9 so they had to cut checks for people that in essence from  
10 the current fifteen percent I think it is --

11           MR. McCONVILLE: (Inaudible.)

12           MR. WINKLER: You can argue -- is it fifteen or  
13 twenty?

14           MR. McCONVILLE: The Medical Loss Ratio is fifteen  
15 percent.

16           MR. WINKLER: Fifteen percent, okay. Eventually,  
17 I mean when we talk about economy as a scale, you look at  
18 Medicare, the overhead is three percent. The overhead in  
19 our healthcare system right now is about fifteen under  
20 Obamacare. Over time the profit in the healthcare system is  
21 going to be squeezed, people are not going to be able to  
22 forever pay fifteen percent overhead for healthcare when  
23 they see a system right next to it that's paying three  
24 percent. The thing I'm afraid of most is that Tenet will  
25 see this as a short term profit situation realizing that the

1 long term picture for really good profits is probably not  
2 very good, and I'm afraid of short term profit maximization  
3 policy where you slash and burn, you cut to the bone, you  
4 bring all the profit you can out of the system in the short  
5 term, and if you have to you declare bankruptcy and  
6 restructure to unload debt. So I have a lot of concerns  
7 that a for-profit corporation with that kind of historical  
8 outlook will do things that are very injurious to the public  
9 and that's my concern.

10 MR. McCONVILLE: Thank you, sir.

11 With that, I'd like to call on Dr. O'Neill.

12 DR. O'NEILL: Thanks, Dennis.

13 In closing, ECHN has enjoyed caring for these  
14 communities for nearly one hundred years, and the proposed  
15 transaction you heard about this evening and reviewed will  
16 continue to fulfill the mission of ECHN and provide high  
17 quality compassionate care to the communities we serve.

18 Thank you all very much for coming tonight, for  
19 your attention and participation, and have a good evening.

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CERTIFICATE

I, Sally Omar, certify that the foregoing Transcript of ECHN Public Hearing held on June 24, 2014, at Vernon, using the required transcription equipment and is a true and accurate record of the proceedings.



Sally Omar

Date: June 30, 2014

# Preparing for the Future of ECHN

Letter of Determination Public Hearing

Vernon Senior Center

26 Park Place

Vernon, CT 06066

June 24, 2014



# AGENDA

Welcome & Introductions	Dennis G. O'Neill, MD, Chairman of the Board, ECHN
Hearing Purpose, Statutory Requirements & Format	Dennis McConville, SVP, ECHN
Healthcare Landscape, Transaction Rationale & Process	Peter J. Karl, President & CEO, ECHN
Certificate of Need Letter of Determination	Joyce A. Tichy, SVP, Legal Counsel, ECHN
Questions & Answers	Panel



The Proposed Transfer of Assets of Eastern Connecticut Health Network, Inc. and Affiliates to VHS Eastern Connecticut Health System, LLC, a joint venture to be formed between Tenet Healthcare Corporation and Yale - New Haven Health Services Corporation.



# State Regulatory Process

Review by Office of Health Care Access (OHCA) and  
Office of the Attorney General <sup>(1)</sup>

- \* First step in process is the filing of a Letter of Determination
- \* Within thirty (30) days of filing of the Letter of Determination, the nonprofit hospital and the proposed purchaser hold a public hearing on the contents of the Letter of Determination.
- \* The hearing is to be transcribed, with the recording or transcription made available to the Commissioner of OHCA, the Attorney General, and members of the public upon request.
- \* The Commissioner and the Attorney General review the Letter of Determination. The Attorney General determines whether the transaction requires approval under the so-called “Conversion Statute” as a conversion of a non-profit to a for-profit.
- \* A joint review process is then undertaken by the Commissioner and the Attorney General.

(1) Section 19a-486a of the Connecticut general statutes

# State Regulatory Process

Statutory Standards – Review by the Attorney General <sup>(1)</sup>

- \* The Attorney General shall deny an application as not in the public interest if:
  - \* The transaction is prohibited by Connecticut statutory or common law governing nonprofit entities, trusts or charities.
  - \* The applicant fails to exercise due diligence in:
    - \* Deciding to transfer
    - \* Selecting the purchaser
    - \* Obtaining a fairness evaluation
    - \* Negotiating the terms and conditions of the transfer
  - \* The nonprofit hospital failed to disclose any conflict of interest.
  - \* The nonprofit hospital will not receive fair market value for its assets.

(1) Section 19a-486c of the Connecticut general statutes

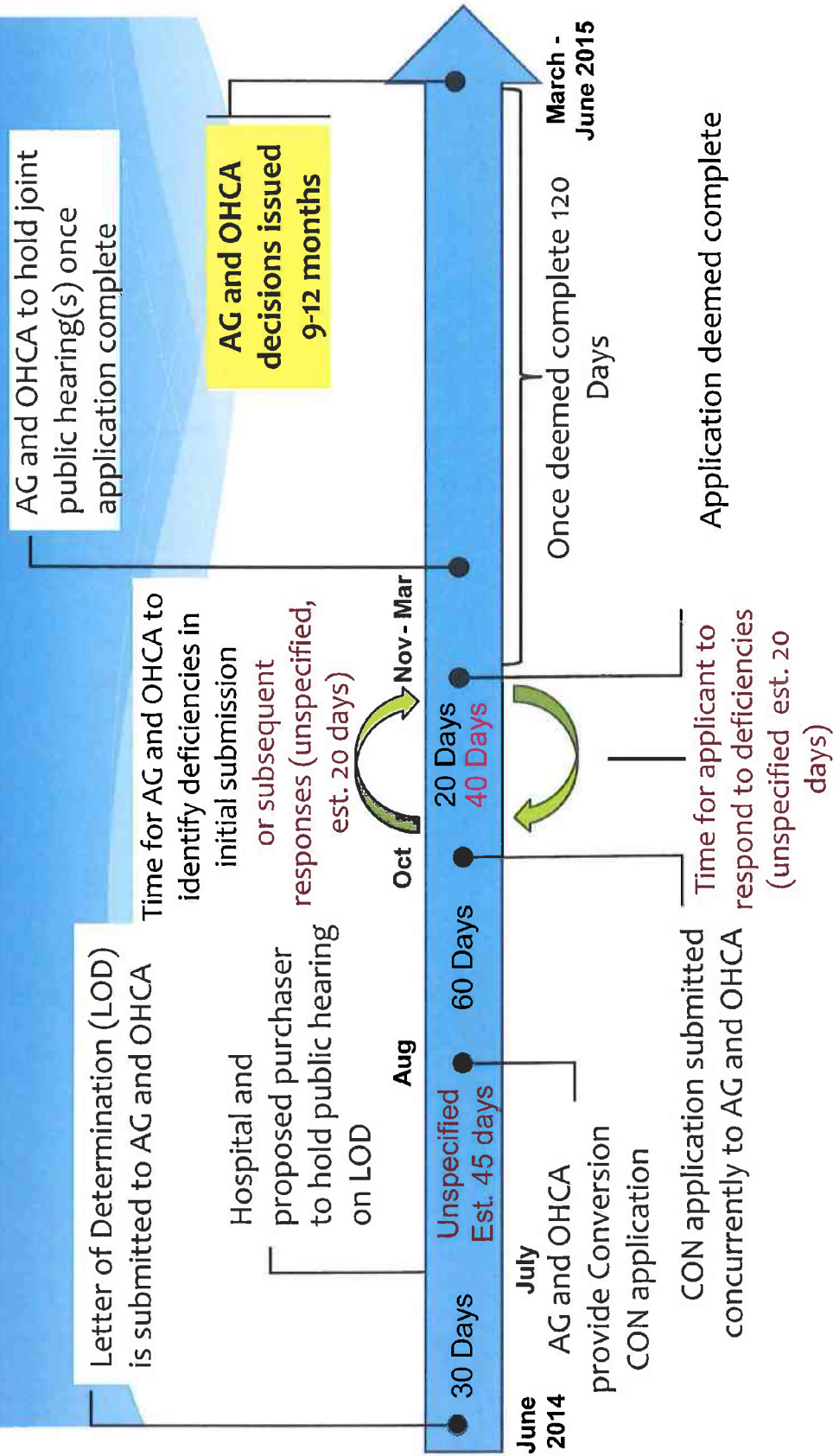
# State Regulatory Process

## Statutory Standards – Review by OHCA <sup>(1)</sup>

- \* The Commissioner of Public Health must deny an application unless:
  - \* The community will be assured of continued access to high quality and affordable care after accounting for any proposed change impacting hospital staffing.
  - \* That a commitment has been made to provide care to uninsured and underinsured.
- \* The proposal is also reviewed under standard certificate of need guidelines, including public need, impact on financial strength of health care system in the state, whether proposal will improve quality, accessibility and cost-effectiveness of health care delivery in the region, etc.

(1) Section 19a-486d of the Connecticut general statutes

# Conversion/CON Process Timeline



Note: Timeline shows estimated dates only and may change.

# The Proposed Transaction

*Tenet and Yale-New Haven Joint Venture to buy*

**ECHN**

- \* Continued operation of Manchester Memorial and Rockville General Hospitals;
- \* Continued involvement of an advisory board that includes community representatives;
- \* Capital investments to improve facilities and equipment;
- \* Partnership with a leading academic medical center and access to YNHHS's clinical support, quality and service line management;
- \* Establishment of a community foundation to oversee certain charitable funds; and
- \* Continuation of the ECHN brand and mission, including a continued commitment to charity care and indigent care.

8

# Preparing for the Future at ECHN

## *Our Mission: Our Community*

- \* Caring for & serving the community, continuing our mission & vision
  - \* Improving your wellbeing with quality, compassionate health care
  - \* Preserving ECHN: its name, pride and institutions
  - \* Developing the next generation of physicians to serve you
- \* Preserving jobs - over 3000
- \* Economic engine for eastern CT with over \$165 million in salaries and \$90 million purchased supplies & services annually

9

# Preparing for the Future at ECHN

## Impact of Healthcare Reform (PPACA)

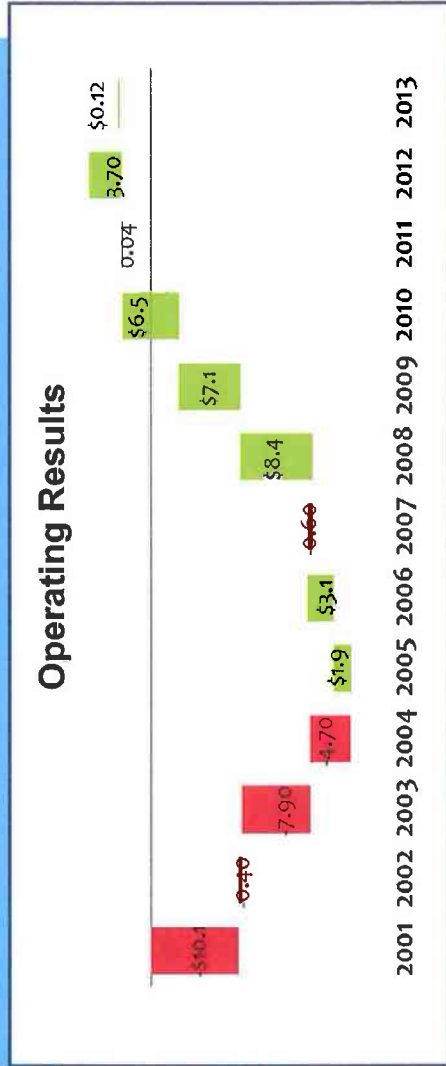
- \* More than insuring 32M more people
- \* Declining government payments to hospitals
- \* Focus on value, lowest cost and best results
- \* New payment systems with providers at risk
- \* New delivery models, community focused
- \* Major investments required



# ECHN's Financial Challenges

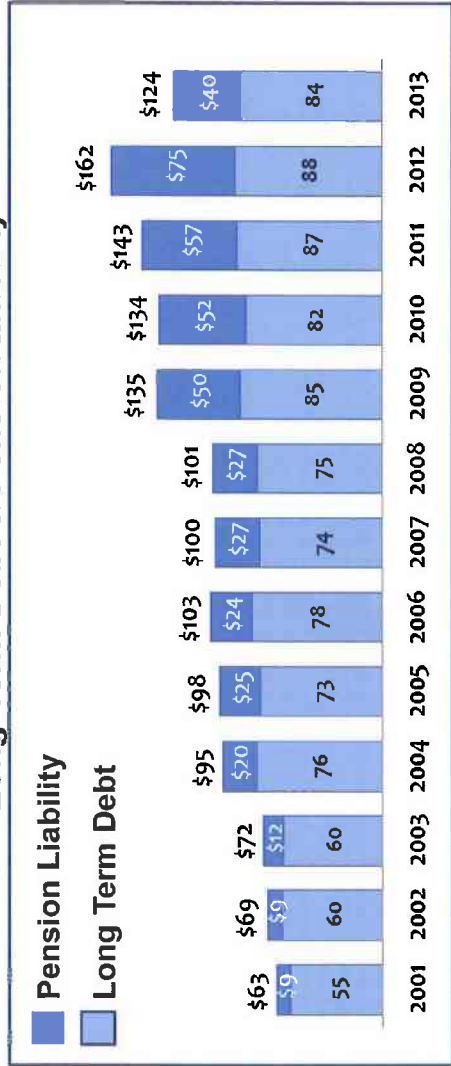
Low margins and growth in debt have forced ECHN to defer capital investments; the capital expenditure shortfall is exacerbated by pressures to invest in market-leading facilities, equipment and technology

1. Operations contributed only \$7.5M total over the last 13 years: Operational deficits in 2001-2004 of \$23.1 million required 6 years to be overcome



2. Long term debt and pension liabilities have grown 97% (\$61 M) in the last 13 years-- annual debt service and pension contributions now take up the lion's share of annual cash flows

## Long-Term Debt & Pension Liability



# ECHN's Financial Challenges

## Capital Needs

Opportunistic

Defensive

Opportunistic Needs = \$50-150M

\$71 - 86 M in Critical Needs

New Programs: interventional Cath Lab \$3M, Bariatrics \$300K, MFM \$500K, Etc.: \$?

MD and Community Health partnerships / JVs \$? - ?

Master Facility Upgrades \$?, Private Rooms \$50 M

EMR ~\$15-20 M

Facility & Equipment Upgrades \$25 - 35 M

Annual Replacement Capital \$11 M

Increase cash on hand to remain compliant \$20 M

Least Critical

Most Critical

# Continuing Financial Challenges

## Taxes and Reduced Government Payments

	FY 2013	FY 2014	FY 2015
<b>CT State User Tax</b>	(4,830,741)	(6,751,665)	(8,623,979)
<b>CMS 2% Sequestration</b>	(1,104,000)	(2,208,000)	(2,208,000)
<b>Value Based Purchasing</b>	(98,141)	TBD	TBD
<b>Readmission rate reductions</b>	---	TBD	TBD
	<b>(\$6,032,882)</b>	<b>(\$8,959,665)</b>	<b>(\$10,831,979)</b>

# Negative Forces into the Future

-Continued payment erosion from federal government

-Declining levels of payment from state government

-Payment reforms with more financial risk

-Continued pension obligations

-Rising costs

---

**— Unsustainable results with an  
— inability to REINVEST in ECHN**

# Preparing for the Future at ECHN

## Process, Questions Answered

1 Should We Affiliate?

- Stand-alone scenario; how viable?
- Benefits of and Vision for, the Affiliation

2

If so,

- Which Partner Organizations are attractive?
- What Criteria will we use to evaluate them?
- How might each partner help us achieve our Vision?

3

What can each potential partner organization offer ECHN?

- Enhance services; Attract top Clinicians
- Position us to be “Provider of Choice” east of the CT River
- Improve Finances and Access to Capital

4

How Attractive are the Prospective Partnership Proposals?

- Is there a compelling Business Case for each partnership?
- What is the proposed Deal Structure? Is it attractive?

# Preparing for the Future at ECHN

## *Why join another health care system?*

### **Rationale**

- \* Create scale to decrease costs
- \* Improve access to capital and afford investments
- \* Improve finances, reduce/eliminate debt
- \* Participate in the new payment systems
- \* Protect, preserve and grow local access to services

# The Request for Proposal Process: Recipients and Responses

## RFP Sent To:

Not For Profits	<ol style="list-style-type: none"> <li>Hartford Healthcare</li> <li>St. Francis Care</li> <li>Yale-New Haven H. S.</li> <li>Vanguard Health System</li> </ol>
For Profits	<ol style="list-style-type: none"> <li>LHP Hospital Group</li> <li>Steward Health Care</li> </ol>



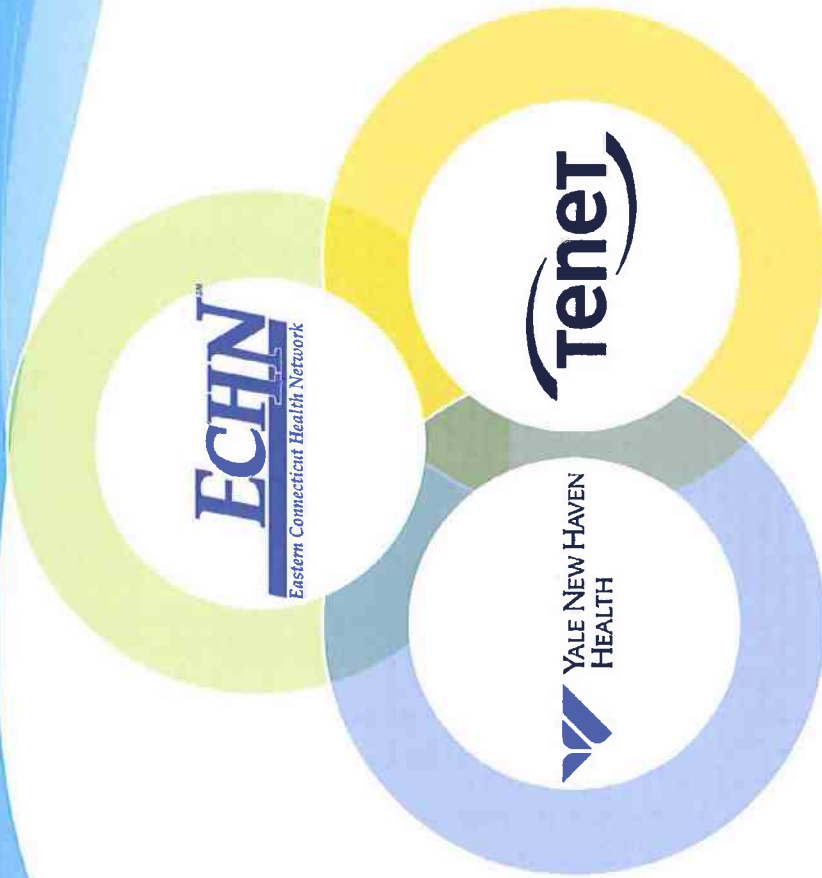
## Responses Received From

<ol style="list-style-type: none"> <li>Hartford Healthcare with LHP Hospital Group</li> <li>Hartford Healthcare – alone</li> <li>St. Francis Care– Ascension Health Care Network (AHCN)</li> <li>Vanguard Health System - Yale-New Haven Health System</li> </ol>
<p>Steward Health Care declined to respond, citing lack of capacity relative to other matters</p>

*While RFPs were sent to 6 organizations; due to combinations among the responders and one drop-out, we received 4 responses.*

# Tenet, YNHHS, ECHN Strategic Alliance

## Tenet and Yale-New Haven Joint Venture to buy ECHN



- \* Regional Hospital/Delivery Network
- \* Aligned mission, vision & values
- \* Economic scale, thought leadership, clinical leadership
- \* Risk Management Organization

*Building a sustainable, thriving network of superior care*



# What will be achieved?

- \* Continue our Mission, Vision & Values
- \* Protect Accessibility and Affordability of Care
- \* Continued Focus on Quality & Safety of Patient Care
- \* Continuously Improve Patient Satisfaction
- \* Ability to invest allowing resources for our medical staff, employees, and for patients' care and benefit

# Letter of Determination

1. Description of Buyer
2. Form of Transaction
3. Key Assets and Liabilities to be Acquired by Buyer
4. Key Assets and Liabilities Excluded from the Transaction
5. Medical Foundation
6. Role of VHS
7. Role of Yale New Haven Health System
8. Local Advisory Board
9. Commitment to Maintain Community Support – Charity Care
10. Commitment to Maintain Hospitals and Continuum of Care Network
11. Employment Matters
12. Capital Commitment
13. No changes requested to services or changes to towns served

20

# Project Cost Overview of Financial Provisions

Excluded Assets: Donor restricted funds, cash & investments, cost report settlements

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Purchase Price:*	\$105 Million
minus/plus:	Net working capital
Minus:	Indebtedness
	Unfunded pension plan liability
	Post retiree health plan liabilities
	Special employee benefit liabilities (accrued vacation, etc.)
	Captive insurance liabilities
	Worker's compensation liabilities
	Joint venture interests not conveyed
	Asbestos liabilities
Capital Commitment:	\$75 Million

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\* Duff & Phelps Fairness Opinion Confirmed Purchase Price as fair

\*\* Risk of interim operations, stock market performance, etc. remain on ECHN prior to closing

# Public Comments & Questions

## Panel:

- \* Peter Karl, President & CEO, ECHN
- \* Joyce Tichy, SVP, General Counsel, ECHN
- \* Vin Petrini, SVP Public Affairs, YNHHS
- \* Trip Pilgrim, SVP, Chief Development Officer, Tenet Healthcare
- \* Erik Wexler, CEO, Tenet Healthcare, Northeast Region

ECHN Letter of Determination Hearing  
Vernon, CT 06066  
June 24, 2014

To Whom it may Concern:

I apologize for not being able to attend this forum in person, but would like to express my opinion on the acquisition publically. As the Chair and Senior Medical Director of the Department of Emergency Medicine and the Service Line Director for Emergency Services at ECHN, I would like to express my excitement about the future acquisition of ECHN by Yale and Tenet. For the past several years we have been facing one financial challenge after the next. Whether it be in the form of hospital taxes, sequestration, Medicare reimbursement cuts, pension reform, or unfunded quality reporting mandates. The only way we have been able to meet these challenges has been to "do more with less".

My view on Healthcare is that we are facing the same struggles now that the smaller department stores and hardware stores faced a decade or more ago with the emergence of Walmart and Home Depot. Their ability to purchase goods in such large quantities made it impossible to compete with their prices, and many of the mom and pop stores eventually went out of business. This is the path that I believe ECHN would be on if we didn't proceed with this acquisition.

I as a healthcare provider, and ECHN as a healthcare system, have an obligation to the patients we serve. Our obligation is to be there for them in their time of need and to provide the expertise, staff, and equipment necessary to diagnose and treat them at any hour of the day or night. The acquisition of ECHN by a larger system is the only option that would allow us to continue our mission of "improving your well-being by providing high-quality, compassionate healthcare." Without the ability to join a larger system, our costs will be higher than our competitors, our ability to recruit skilled physicians and nurses will become more difficult, and we would eventually find ourselves out of business.

I have been asked many times, "Why partner with Yale and Tenet, rather than with one of the other large systems closer to Manchester and Rockville?" My desire for Yale and Tenet is based on my belief that they would be the best option for both the patients we serve and for the staff we employ. Yale and Tenet are physically far enough away that in order to succeed, they have to help grow our system to allow us to directly compete with our local competitors. I feel that if we had chosen to partner with a nearby competitor, we would become victim to consolidations of services and locations, such as the John A. DeQuattro Cancer Center. This would directly impact access to healthcare for our patients in our communities.

In my 14 years at ECHN, I have watched our competitors advertise their cutting edge therapies during the prime time news and open healthcare centers in our own neighborhood. I've read

ECHN Letter of Determination Hearing  
Vernon, CT 06066  
June 24, 2014

about their latest minimally invasive cardiac procedures and have heard on the radio about their world-class stroke therapies. It would be really nice to have the access to capital funding that would allow us to advertise the cutting-edge programs we have here at ECHN. However, the ability to grow and advertise these types of services is becoming virtually impossible under the financial constraints we are facing. With the implementation of the Affordable Care Act, the increase in Medicaid volume, and the State's tax on hospitals, remaining independent is futile and no longer an option. A partnership with Yale and Tenet will afford us access to the clinical expertise our patients need, as well as access to the desperately needed capital funding so that we can resume investing in our technology, staff, and infrastructure. This partnership will position ECHN competitively for the foreseeable future of healthcare.

Sincerely,

Robert Carroll, MD, FACEP, MBA  
Chair and Senior Medical Director  
Department of Emergency Medicine, ECHN

As a Corporator of ECHN, I have always been extremely impressed with the vision, intellect and communication skills of Peter Karl and Dennis O'Neill. I am comfortable with their decisions regarding the ECHN merger and it's my hope that the company becomes more viable and successful as a result.

As a business owner, I am keenly aware of the need for "economies of scale". My organization's ability to partner with a larger entity allows us to stay in business, pass immense savings onto our customers and be philanthropic to the greater Manchester community.

The common thread that exists between ECHN and my business is that we both face a highly competitive marketplace.

I truly understand the need for ECHN to adapt to a rapidly changing healthcare environment and fully support the merger so that we may go forward and keep quality healthcare in greater Manchester.

Respectfully submitted,  
Kye Cohen  
Owner, ShopRite of Manchester and East Hartford



**State of Connecticut**  
**HOUSE OF REPRESENTATIVES**  
STATE CAPITOL  
HARTFORD, CONNECTICUT 06106-1591

**REPRESENTATIVE TIMOTHY D. LARSON**  
ELEVENTH ASSEMBLY DISTRICT

LEGISLATIVE OFFICE BUILDING, ROOM 4027  
HARTFORD, CT 06106-1591

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**ASSISTANT MAJORITY LEADER**

**MEMBER**  
BANKS COMMITTEE  
FINANCE, REVENUE AND BONDING COMMITTEE  
TRANSPORTATION COMMITTEE

June 23, 2014

The Honorable George C. Jepsen  
Attorney General  
Office of the Attorney General  
55 Elm Street  
Hartford, CT 06106

The Honorable Jewel Mullen  
Commissioner  
Department of Public Health  
Office of Health Care Access  
410 Capitol Avenue  
Hartford, CT 06134

Dear Attorney General Jepsen and Commissioner Mullen,

I am pleased that Governor Malloy signed into law, PA 14-168 – An Act Concerning Notice of Acquisitions, Joint Ventures, Affiliations of Group Medical Practices and Hospital Admissions, Medical Foundations and Certificates of Need. This legislation makes it possible for the potential transaction of Eastern Connecticut Health Network (ECHN) and the joint venture between Tenet Healthcare and Yale New Haven Health System to move forward. You are aware as I that many of Connecticut hospitals have expressed their concern of running out of options to remain sustainable in an ever-changing health care environment. This law provides ECHN with a credible option that will allow it to serve the communities east of the river for many years to come.

It is important for state and federal public servants to ensure that our constituents have local access to quality health care that is affordable. While we must protect our citizens, we also have an obligation to support the efforts of our community hospitals, which are striving to continuously improve quality while reducing cost but struggling with lower payments for services and continued planned cuts in state and federal reimbursements proposed by the Center for Medicare and Medicaid Services.

SERVING THE TOWNS OF EAST HARTFORD, MANCHESTER & SOUTH WINDSOR

**ECHN/YNHHS/Tenet Public Hearing**  
**Vernon, CT – June 23, 2014**

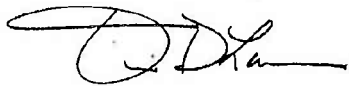
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From my conversations with representatives of ECHN, Tenet, and Yale New Haven, I believe this proposed transaction will benefit patients, employees of ECHN, and the communities served by this health care system. Access to capital will allow ECHN to keep its two hospitals, Manchester Memorial and Rockville General, viable and efficient through the expansion of service lines; to upgrade its facilities and equipment to meet state and federal code requirements; and to remain flexible to quickly respond to patient needs and expectations.

Therefore, I encourage OHCA and the Office of the Attorney General to look favorably upon the proposed transfer of assets as described in the Certificate of Need Determination Letter recently filed by ECHN.

Regards,

A handwritten signature in black ink, appearing to read 'T. Larson', with a stylized flourish at the end.

State Representative Timothy Larson



Testimony of  
**Melodie Peters, President**  
AFT Connecticut

Certificate of Need Determination Letter Public Hearing  
H. Louise Ruddell Auditorium  
Manchester Memorial Hospital  
June 23, 2014

Good evening. My name is Melodie Peters and I am the President of AFT Connecticut, a diverse union of nearly 29,000 public and private sector members. We are proud to represent approximately 700 members in four bargaining units at Manchester and Rockville Hospitals. Tonight, I am pleased to be joined by Ann-Marie Cerra, President of the Manchester Memorial Hospital RNs, AFT Local 5055, Melanie Karpinski, President of the Manchester Memorial Service & Skilled Maintenance Employees United, AFT Local 5121 and Darcy Cowles, President of the Manchester Technical Unit, AFT Local 5144. Thank you for the opportunity to speak to you this evening about ECHN's proposal to convert to a for-profit healthcare system by transferring assets to Tenet Healthcare Corporation and Yale-New Haven Health Services Corporation.

AFT Connecticut recognizes that the healthcare landscape is quickly changing and that ECHN has decided that the only path to long term financial stability is to abandon its non-profit status and partner with for-profit healthcare corporations. We recognize that we cannot stop this from happening, but as healthcare professionals with a responsibility to advocate for our patients, their families and our communities, we are concerned about preserving patient access to high quality care and protecting the commitment to community service programs that we have come to expect at ECHN. We want our ECHN hospitals to continue to be responsive to these concerns and provide access to all, not just to those who can afford to pay for profitable services. For these reasons, we strongly urge all actors in this proposed transaction to act openly, honestly and transparently by engaging stakeholders, not shareholders.

Last year when ECHN executives decided to pursue a for-profit partner, they also initiated substantive discussions with union representatives about their intentions. This process allowed for a frank labor-management dialogue which allowed the fundamental needs and interests of each party to be clarified and communicated at the earliest stages of the process. Ultimately this process resulted in a number of significant changes in existing collective bargaining agreements and perhaps more importantly, to the extent allowed by Tenet Healthcare Corporation and Yale-New Haven Health Services Corporation, will continue to provide an important line of communication between ECHN and its employees throughout this transition.

While this dialogue was unfolding with ECHN management, AFT Connecticut also encouraged them to engage the community in the same spirit of cooperation. To their credit, ECHN hosted two forums in May and April to explain their intentions. It was an important opportunity to begin a process by which the hospitals could move away from simply threatening closure and move instead toward responsiveness and accountability to community needs and concerns.

Those concerns will not end as a result of those forums or tonight's hearing. ECHN and its for-profit partners must demonstrate that they will protect access and quality of care. There are a number of collaborative ways in which this important work can be done. The CON Determination Legal Notice issued by ECHN mentions a number of "features of the proposed transactions that will benefit the current employees and communities" it serves. We feel a number of them do not take full advantage of the resources ECHN has at its disposal.

#### **Community Oversight Board**

The CON Determination Legal Notice mentions the establishment of a local advisory board of trustees to serve as a resource on capital investment, maintenance, implementation of strategic business plans, medical staff credentialing and quality assurance oversight. It goes on to say this board would be comprised of physicians and individuals drawn from the local community with an understanding that they will provide input regarding community needs and expectations.

In theory, this sounds appealing. In practice, without knowing who in fact will appoint board members, it is impossible to be certain that members of the board will be independent voices that represent all stakeholders instead of acting as rubber stamps for the new hospital. Legislative efforts were rejected last month that would have required hospitals converting to for-profit status to establish true community oversight boards with members appointed by elected policy leaders who represent all stakeholders, including direct patient caregivers. If ECHN and its partners will not establish such a board voluntarily, we urge the Attorney General and the Office of Healthcare Access to require it as a condition of the conversion.

#### **Independent Monitor**

Efforts to create and fund an independent monitor for hospitals undergoing conversion were rejected during the legislative session. Such a role would ensure that ECHN and its partners live up to the terms of the approved conversion and keep the promises they have made to the community. An independent monitor would produce a baseline report on services, staffing levels, uncompensated care, community programs, employee benefits and other measures at the time of conversion. That way, when performance audits are conducted, cuts made after the conversion could be easily identified and their impacts monitored. Establishing an independent monitor would ultimately facilitate dialogue between the hospital, patients, communities, the Attorney General and the Department of Public Health, creating a mechanism for success. If ECHN and its partners will not create an independent monitor voluntarily, we urge the Attorney

General and the Office of Healthcare Access to require it as a condition of the conversion.

**Charitable Care/Community Benefits**

Proposals were rejected during the legislative session that would have required hospitals undergoing conversion to establish written agreements detailing minimum levels of spending on charitable and uncompensated care, community outreach and volunteer services. In the CON Determination Letter, ECHN and its partners agree only to maintain or adopt policies that are at least as favorable as ECHN's current policies. Who will determine what is "at least as favorable" and who will determine that ECHN's current policies are in fact adequate? We call on ECHN and its partners to establish a detailed, definitive written community benefits agreement voluntarily, but urge the Attorney General and the Office of Healthcare Access to require it as a condition of the conversion if they do not.

**Employment**

The CON Determination Legal Notice promises offers employment to *substantially* all ECHN employees with salaries and benefits consistent with those of other Tenet employees. It also provides that existing bargaining agreements will be assumed and honored for the existing terms. Given our collaborative relationship with ECHN, we urge Tenet Healthcare Corporation and Yale-New Haven Health Services Corporation to not only honor the existing collective bargaining agreements through their duration, but to recognize the unions within Manchester and Rockville Hospitals and continue to bargain with them in the future. Not to do so would be destabilizing for the workforce and the communities in which they live. It would also have a negative impact on the quality of patient care.

In conclusion, there is much ECHN and its corporate partners can do to protect the communities they serve as they attempt to convert from non-profit to for-profit status. We ask that they proactively address the issues outlined in my testimony and seize the opportunity to establish true partnerships with all stakeholders. It is only by working collaboratively that they will succeed. Thank you.