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Office of The Attorney General
State of Connecticut

September 20, 2011

VIA U.S. and ELECTRONIC MAIL

Robert J. Anthony, Esq.
Brown Rudnick
City Place I
185 Asylum Street
Hartford, Connecticut 06103

Re: In re Saint Mary's Health System, Inc. – Application Deficiency

Dear Attorney Anthony:

As you know, our office and the Connecticut Office of Health Care Access are currently evaluating the Application for Joint Venture (the "Application") initially submitted on July 21, 2011, by Saint Mary's Health System, Inc. ("Saint Mary's") and LHP Hospital Group, Inc. (together with its affiliates and subsidiaries, "LHP"). We write to follow up on our September 7, 2011, letter memorializing our agreement that the Application as presently drafted is incomplete in light of the recently-publicized proposed three-party joint venture involving Saint Mary's, Waterbury Hospital, and LHP.

In order to provide the State the requisite information to review the transaction as required under Conn. Gen. Stat. § 19a-486 et seq., we request that you supplement the Application in the following respects.

1. Please state whether and, if so how, Saint Mary's considered the impact of Waterbury Hospital's potential inclusion in the joint venture on the value received from partnering with LHP. For example, has Saint Mary's considered whether 20% ownership, certain capital commitments by LHP and equal governance in a two-party joint venture with LHP have equal or greater value to Saint Mary's than 10% ownership, different capital commitments by LHP and less than equal governance of a three-party venture with LHP and Waterbury Hospital? Please provide information and documentation reflecting such consideration.
2. Under the current proposal, Saint Mary's will have the option to increase its ownership from 20% to 40%. Will Saint Mary's continue to have the option to increase its ownership interest in the LLC in light of the proposed joint venture between LHP, Saint Mary's, and Waterbury Hospital?

3. The LLC's board consists of ten members: five elected by Saint Mary's (the "SMH Directors") and five elected by LHP sub (the "LHP directors"), as long as Saint Mary's maintains a 20% interest in the joint venture. (App. at 59.) How will the proposed joint venture between LHP, Saint Mary's, and Waterbury Hospital affect the membership of the LLC's Board of Directors?
4. Please provide an updated Fairness Evaluation reflecting consideration of the impact on the value received by Saint Mary's in the two-party transaction if the joint venture is expanded to include Waterbury Hospital.
5. Please provide information and documents demonstrating that Saint Mary's has evaluated LHP's capacity to fund capital improvements and meet other obligations under a three-party transaction.
6. Provide a copy of LHP Hospital Group, Inc.'s audited financial statements (if available) for the most recent and previous two completed fiscal years.
7. What impact will the proposed joint venture between LHP, Saint Mary's, and Waterbury Hospital have on LHP's financial projections provided with respect to the current application (pages 272-274)?
8. According to page 31 of the application, at the time of closing, Saint Mary's will retain approximately \$23.7 M in cash and receive a distribution from the LLC of \$ 108.0 M to be used to pay off existing debt, fund the pension's liabilities and establish the Community Foundation. Will the cash proceeds distribution from the LLC to Saint Mary's change as the result of the proposed joint venture between LHP, Saint Mary's, and Waterbury Hospital?
9. In light of the representations that LHP and Saint Mary's will eventually partner with Waterbury Hospital and that a new hospital will be built, please address the following:
 - a) Will there be changes in clinical services offered by Saint Mary's that were not previously contemplated?
 - b) How and when will the duplication of services be addressed between the two hospitals?
 - c) How and when will the services between the two hospitals be integrated and what services will be located at which campus?
10. Saint Mary's indicates on page 69 of the Application that it is implementing a \$12 million electronic medical records system. In light of the proposed joint venture

September 20, 2011

Page 3

among LHP, Saint Mary's, and Waterbury Hospital, will Saint Mary's be able to proceed with the development of the EMR system or will this project be delayed pending approval of the joint venture between LHP, Saint Mary's, and Waterbury Hospital as well as the proposed construction of a new hospital?

11. Changes to reimbursement contracts are not anticipated as a result of current proposal and the joint venture will assume all of the existing payer contracts. How will these contracts be affected by the proposed joint venture between LHP, Saint Mary's, and Waterbury?
12. Please re-affirm the LLC's commitment to continue providing health care services to the uninsured and under insured in light of the proposed joint venture between LHP, Saint Mary's, and Waterbury Hospital.
13. Please provide a summary of LHP's strategic plan with respect to the proposed joint ventures with SMH and Waterbury Hospital and the establishment of a new hospital in Waterbury, Connecticut.

Please mail one (1) complete hard copy and one (1) complete electronic copy of the requested materials for approval to the following address:

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

Also, please mail one (1) complete hard copy and one (1) complete electronic copy of the requested materials for approval to the following address:

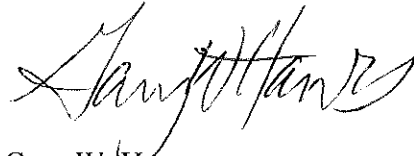
Commissioner of Public Health
410 Capitol Avenue
Hartford, Connecticut 06134
Attn: Melanie A. Dillon

After receipt of these requested materials, the Commissioner and the Attorney General shall review the submission to determine whether the Application is complete. If not, the Commissioner and the Attorney General shall provide written notice of any deficiencies within twenty (20) days of receipt of the requested material.

Should you have any questions regarding these requests or any other issues relating to the Commissioner's and Attorney General's review, please do not hesitate to contact either Steven Lazarus at the Department of Public Health (860-418-7012; Steven.Lazarus@ct.gov) or me at the Office of the Attorney General (860-808-5020; gary.hawes@ct.gov).

September 20, 2011
Page 4

Very truly yours,

A handwritten signature in black ink, appearing to read "Gary W. Hawes". The signature is fluid and cursive, with the first name "Gary" being the most prominent.

Gary W. Hawes
Assistant Attorney General

cc: Commissioner Dr. Jewel Mullin, DPH
Kimberly Martone, Director of Operations, OHCA
Steven Lazarus, Associate Healthcare Analyst, OHCA
Gary W. Hawes, Assistant Attorney General, OAG