



STATE OF CONNECTICUT  
OFFICE OF THE ATTORNEY GENERAL  
DEPARTMENT OF PUBLIC HEALTH



GEORGE JEPSEN  
ATTORNEY GENERAL

RAUL PINO, M.D., M.P.H.  
ACTING COMMISSIONER

January 12, 2016

**VIA U.S. and ELECTRONIC MAIL**

Darlene Stromstad, FACHE  
President/CEO  
Greater Waterbury Health Network, Inc.  
64 Robbins Street  
Waterbury, CT 06708

Jonathan Spees  
Senior VP, Mergers and Acquisitions  
Prospect Medical Holdings, Inc.  
10780 Santa Monica Blvd., Suite 400  
Los Angeles, CA 90025

**Re: Greater Waterbury Health Network, Inc. Proposed Asset Purchase by Prospect Medical Holdings, Inc.; OHCA Docket Number: 15-32017-486 and Attorney General Docket Number: 15-486-02**

Dear Ms. Stromstad and Mr. Spees:

On December 24, 2015, the Response to Completeness Questions (“Response”) of Greater Waterbury Health Network, Inc. (“GWHN”) and Prospect Medical Holdings, Inc. (“PMH”) was filed with the Office of Health Care Access, Department of Public Health (“OHCA/DPH”) and Office of the Attorney General (“OAG”).

OHCA/DPH have determined that there are deficiencies in the Response that require clarification and/or additional production. Conn. Gen. Stat. § 19a-486a(d). The OAG has no further questions at this time. Accordingly, please respond to the following questions and/or submit the following materials to the OAG and OHCA by February 1, 2016.

1. Reference is made to the April 1, 2014 Statement of Deficiencies report of surveyors from the California Department of Public Health following a Full Sampled Validation Survey of Southern California Hospital at Hollywood (“Initial Report”) and the August 21, 2014 Statement

of Deficiencies report of the agency following a Follow-up Visit to the same facility (“Follow-up Report”). These reports were provided as Exhibit P to PMH’s and ECHN’s Response to Deficiencies dated October 30, 2015 and November 12, 2015 under OHCA Docket No. 15-31216-486 and OAG Docket No. 15-486-01, and the page numbers referenced in this Question #1 refer to that submission. In both reports the surveyors determined Immediate Jeopardy situations to exist. With respect to these reports, please address the following:

- a. In the Initial Report, the surveyors determined that Southern California Hospital at Hollywood (the “Hospital”) failed to meet the CMS Conditions of Participation in the following areas: Governing Body; Patient Rights; Nursing Services; Pharmaceutical Services; Food and Dietetic Services; Physical Environment; Infection Control; and Surgical Services. On page 2836, the Initial Report states that the Governing Body failed to provide oversight of operations in each of the other areas. Please explain how a situation where Condition Level deficiencies in eight separate areas came to exist at the Hospital, the accountability of both the Hospital’s and PMH’s senior management for allowing such a situation to exist, and steps taken at the PMH system level to rectify the situation.
  - b. In the Follow-up Report, the surveyors found Condition Level deficiencies still existed in that the Hospital failed to develop, implement, and maintain an effective quality assurance and performance improvement (QAPI) program (p. 2686 *et seq.*); failed to provide a sanitary environment to avoid sources and transmissions of infections and communicable diseases (p. 2764 *et seq.*), and found a repeat violation as to the acceptability of surgical services (p. 2788 *et seq.*). Please explain the accountability of both the Hospital’s and PMH’s senior management for allowing such a situation to exist and steps taken at the PMH system level to rectify the situation.
  - c. Please identify and provide the Statement of Deficiencies reports for any other instances where PMH owned hospitals have been determined to have Immediate Jeopardy situations during the term of PMH’s ownership.
  - d. With respect to all Immediate Jeopardy determinations identified in Question 1a, b and c above, please describe all system-wide improvements (including system-wide policies and procedures), management reporting, business strategies and/or changes in culture that have been put into place to prevent recurrence of such situations. PMH is requested to provide documentation of any system-wide communications evidencing these prevention activities.
2. In response to Question 15, Applicants refer to PMH’s participation in the Private Essential Access Community Hospitals (“PEACH”) network as evidence of PMH’s experience with “safety net” hospitals that serve low-income patients. Please elaborate on how PMH’s experience and participation in the PEACH network in California will translate into improved access to quality care for underserved populations in Waterbury and its surrounding areas. In

your response, please highlight specific programs, insights, or innovations PMH has acquired through participation in PEACH that PMH expects to apply to PMH-owned “safety net” hospitals in Connecticut.

3. In response to Question 20, Applicants summarize PMH’s medical management program for high risk patients with significant co-morbidities in a sub-acute setting. Please elaborate on the following:

- a. What types of facilities comprise sub-acute settings and how many facilities of this type does PMH own, operate or manage?
- b. What is the relationship of the physicians and nurse practitioners performing the rounding on high-risk patients in these settings to PMH?
- c. How does PMH assure that rounding on the frequency mentioned (2-5x per week) is completed in sub-acute settings that it does not own, operate or manage?

4. In reference to the response to Question 23, please clarify why the change in charity care policy at Waterbury Hospital in October 2013 wherein patients who do not apply for or do not qualify for charity care are responsible for the balance due would result in an increase in charity care and a decrease in bad debt in FY2014 as opposed to an increase in bad debt alone.

5. In reference to Applicants’ answer to Question 34 of the Response, the Applicants failed to provide the requested updated Financial Measurements/Indicators for the months of July, August and September 2015 and comparable months from the previous fiscal year for PMH, the methodology utilized to calculate the financial ratios on Sections A through C and an explanation for any decreases or increases that apply to any of the items listed on Section D between YTD FYs 2014 and 2015. Please provide the requested information.

6. In reference to the Applicants’ answer to Question 33 of the Response, please address the following:

- a. In response to question 33(b) the Applicants indicated that *“The non-governmental net revenue by specific payers is not usually finalized until the OHCA filing is completed, so we do not have the FY 2015 final net revenue by specific payer (with allocation of charity care, bad debts, etc.)”*, hence the zero incremental amounts reported under the uninsured, self-pay and workers compensation line items.

The amounts requested on Financial Worksheet (C) by OHCA are FY 2014 actual and projected amounts with, without and incremental associated with the proposal for FY 2015 and thereafter. Therefore, please provide a revised Financial Worksheet (C) for Waterbury Hospital that will include FY 2014 actual

amounts and projected amounts for FYs 2015, and thereafter, for the uninsured, self-pay and workers compensation line items. In addition, include projected incremental amounts associated with the proposal that relates to expense items, operating income, non-operating revenue and net income. Provide the missing assumptions utilized in developing the projections and explain any projected losses from operations; and

- b. In responding to question 33(d) the Applicants explained the expected reduction in expenses for FY 2016 but failed to explain the incremental increases in expenses as the result of this proposal for FYs 2017 and 2018. Please provide the requested information.

7. In Applicants' answer to Question 19 of the Response, Applicants state that PMH has "*[p]roposed a pilot program in the state of Rhode Island to manage the health of 25,000 Medicaid patients at a cost savings to the state of Rhode Island*" and that "*PMH is prepared to work with the state of Connecticut on a similar proposal to manage a segment of the Medicaid population in Connecticut at cost savings to the State.*" Please provide the name of the proposed Rhode Island program and a detailed description of the program and how it will achieve Medicaid savings. Include in your response the cost of implementation and projected cost savings associated with the program.

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

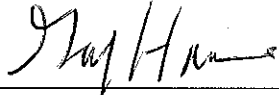
Office of the Attorney General  
55 Elm Street, P.O. Box 120  
Hartford, Connecticut 06141-0120  
Attn: Gary W. Hawes, AAG

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

After receipt of these requested materials, the OAG and OHCA shall review the submission to determine whether the application for approval is complete. If not, they shall provide written notice of any deficiencies within twenty (20) days of receipt of the information requested. 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 W. Lazarus at the Department of Public Health (860-418-7012; Steven.Lazarus@ct.gov) or Assistant Attorney General Gary W. Hawes at the Office of the Attorney General (860-808-5020; gary.hawes@ct.gov).

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Greater Waterbury Health Network, Inc.  
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Very truly yours,



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Gary W. Hawes  
Assistant Attorney General  
Office of the Attorney General

Very truly yours,



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Kimberly R. Martone  
Director of Operations  
Office of Health Care Access

cc: Steven Lazarus (via electronic mail)  
Ann Zucker, Esq.  
Michelle Volpe, Esq.