



Agreed Settlement

Applicant(s): Hartford HealthCare Corporation/SVMC Holdings, Inc.
1 State Street
Suite 19
Hartford, CT 06103

St. Vincent's Medical Center
2800 Main Street
Bridgeport, CT 06606

Docket Number: 18-32271-CON

Project Title: Transfer of ownership of St. Vincent's Medical Center to SVMC Holdings Inc., an affiliate of Hartford Healthcare Corporation

I. Project Description

SVMC Holdings, Inc., a newly formed Connecticut non-stock corporation and affiliate of Hartford HealthCare Corporation, seeks authorization to acquire substantially all of the assets and related operations of St. Vincent's Medical Center.

II. Procedural History:

The Applicants published notice of their intent to file a Certificate of Need ("CON") application in the *Connecticut Post*, *the New Haven Register*, *the Norwalk Hour*, and *the Stamford Advocate* on October 3, 4 and 5, 2018. On November 19, 2018, the Health Systems Planning Unit of the Office of Health Strategy ("OHS") received the CON application from the Applicants for the above-referenced project. Subsequently, the application was deemed complete on March 19, 2019.

Executive Director Victoria Veltri designated Attorney Micheala Mitchell as the hearing officer in this matter and the Applicants were notified of the date, time, and place of the public hearing. On April 10, 2019, a notice to the public announcing the hearing was published in the *New Haven Register*, *Connecticut Post*, *Stamford Advocate* and *The Hour*.

Thereafter, pursuant to Connecticut General Statutes ("Conn. Gen. Stat.") § 19a-639a(f)(2), a public hearing regarding the CON application was held on April 30, 2019. The hearing was conducted in accordance with the provisions of the Uniform Administrative Procedure Act (Chapter 54 of the Conn. Gen. Stat.) and Conn. Gen. Stat. § 19a-639a(f)(2) and the Hearing Officer heard testimony from witnesses for the Applicants. The public hearing record was closed on June 27, 2019. Executive Director Victoria Veltri considered the entire record in this matter.

III. Provisions of Law

The proposal constitutes a transfer of ownership of a health care facility pursuant to Conn. Gen. Stat. § 19-638(a)(2). OHS considered the factors set forth in Conn. Gen. Stat. § 19a-639(a) in rendering its decision.

IV. Findings of Fact and Conclusions of Law

A. Introduction and Background

1. SVMC Holdings, Inc. ("SVMC Holdings" or "Hospital") is a newly formed Connecticut non-stock corporation and a subsidiary of Hartford Healthcare Corporation ("HHC"). Ex. A, Main Application, p. 13
2. St. Vincent's Medical Center ("SVMC") is a Connecticut non-stock corporation and a subsidiary of Ascension Health Alliance ("Ascension"). Ex. A, Main Application, p. 13
3. SVMC owns and operates a 473-bed acute care general hospital located in Bridgeport, Connecticut. Ex. A, Main Application, p. 13; Statewide Facilities and Services Plan – October 2012
4. SVMC has experienced declining inpatient volume over the past several years as a result of medical staff departures, retirements and a realignment of physician practices in the area. Ex. A, Main Application, p. 43
5. From Fiscal Years ("FYs") 2014-2018, the number of SVMC- affiliated primary care physicians dropped from 72 to 60, resulting in a decline in specialty referrals within the SVMC network. Ex. A, Main Application, p. 43
6. The SVMC Board determined that the Hospital's future success would require a partnership or affiliation with another health system to build a locally-focused, clinically integrated system of care with more comprehensive services. Ex. C, Completeness Response, pp. 444-445
7. Ascension hired Kaufman Hall & Associates in the fall of 2017 to seek out potential partners for SVMC. The Request for Proposal process consisted of contacting 35 organizations, 14 of which decided to sign non-disclosure agreements. Of the 14 organizations, four submitted initial proposals and two of those organizations were identified as potential partners. The final two organizations met with SVMC to discuss the possibility of partnering. Ex. A, Main Application, pp. 13, 17
8. Following these meetings, HHC was selected as the preferred partner for the following reasons:
 - a. similar organizational mission/vision;
 - b. anticipated benefits of belonging to a regional system;
 - c. HHC's broad and robust ambulatory network;
 - d. enhanced ability to recruit and retain physicians; and

- e. HHC's population health/quality improvement IT platform and analytic capabilities.
Ex A, Main Application, pp. 17-18; Ex. C, Completeness Response, p. 445
9. In accordance with the proposed partnership, the Applicants request authorization for SVMC Holdings to acquire substantially all of the assets and related operations of SVMC through an Asset Sale Agreement ("ASA"). Ex. A, Main Application, pp. 7-8

B. Access

10. SVMC provides healthcare services to patients residing in Bridgeport, Connecticut (43% of inpatient discharges in FY 2017) and the surrounding towns.¹ Ex. A, p. 26; Office of Health Strategy, Hospital Inpatient Discharge Database
11. SVMC reported 13,772 inpatient discharges and approximately 81,000 patient days in FY 2018, however the Hospital has seen steady declines in both discharges (-18%)² and patient days (-25%)³ over the past three years. Ex. C, pp. 470-471
12. The decline in hospital volume was largely attributable to physician losses at SVMC. From FY 2014 through FY 2018, 269 physicians withdrew from the medical staff, of which, 130 (48%) were employed physicians. Ex. C, pp. 446-447
13. The Applicants assert that SVMC and the communities it serves will benefit from the proposal through:
 - a. additional access to primary and specialty care services supported by HHC's ability to recruit new providers at existing offices;
 - b. a larger combined HHC and SVMC provider network that will help advance population health initiatives;
 - c. the utilization of HHC's IT platforms and analytic capabilities; and
 - d. improved access to capital for facility and programmatic investment.
Ex. A, p. 18, Ex. C, p. 445
14. There are no planned closures, reductions or relocations in any of the services currently offered by SVMC as a result of the proposal. Ex. A, p. 18
15. The proposal anticipates enhancing cardiovascular services, orthopedics, oncology, and neuroscience through the implementation and adoption of HHC's institute model of care.
16. HHC has committed capital that will help enhance operating room capacity/equipment and intensive care unit capabilities. Ex. C, p. 451

¹ SVMC's primary service area towns include: Bridgeport, Fairfield, Monroe, Shelton, Stratford and Trumbull, Connecticut.

² Excludes newborns

³ Ibid

17. The Applicants do not anticipate any significant changes to the payer mix composition following the transfer of ownership. Medicaid patients accounted for approximately twenty-five percent (25%) of discharges in FY 2017 and will remain a significant portion of SVMC's payer mix in future years. Ex. A, pp. 38, 42

With respect to subsection Conn. Gen. Stat. § 19a-639(a)(5), this transaction will help maintain ongoing access to inpatient and outpatient healthcare services (including emergency care) for the residents of Bridgeport and the surrounding communities. Thus, the Applicants have satisfactorily demonstrated that the proposal will maintain the accessibility of health care delivery in the region. Subsection (a)(10) is not applicable as the proposal does not reduce access to services by Medicaid or indigent patients.

C. Quality

18. Following the change in ownership, SVMC Holdings will participate in HHC's Institute Model to help advance and integrate key service lines, including cancer, orthopedics, neuroscience, heart and vascular, and urology/kidney across the system. Ex. A, p. 23
19. HHC's Institutes set and track safety and quality goals, standardize and coordinate care and provide an effective platform for clinical collaboration and the sharing of best practices. The Applicants assert that the Institute Model has helped attract and retain high quality clinicians in key specialties throughout the HHC system. Ex. A, p. 23
20. The Applicants attest that the proposal will provide the Hospital with the following quality benefits:
 - a. expanded specialized clinical and service capabilities;
 - b. access to new technology and equipment;
 - c. recruitment of skilled provider talent and expertise;
 - d. commitment of financial resources for infrastructure improvements;
 - e. expanded community benefit programming; and
 - f. additional opportunities for clinical research trials and system-wide quality initiatives.Ex. A, p. 33
21. HHC plans to upgrade the Hospital's electronic health record system to EPIC within 18 months of CON approval. The implementation of EPIC is intended to help improve the coordination of patient care across various settings, improve information sharing, eliminate redundant testing, facilitate medical decision making and promote timely access to treatment. Ex. A, p. 75

22. In addition, it is anticipated that the following analytic tools and quality improvement initiatives will be extended to SVMC post acquisition:

- a. Premier⁴ Technology Platform - a comprehensive database of actionable data⁵ that can be used to monitor quality outcomes, develop clinical best practices and help to improve healthcare efficiency strategies.
- b. HHC System Quality and Clinical Councils - there are currently more than one dozen interdisciplinary clinical councils (e.g., Infection Prevention, Surgery, and Emergency Medicine Council) that are currently being utilized. Clinical councils help develop system protocols and order sets based on the sharing of best practices and provide a forum for sharing information and organizing approaches for care coordination. Each council has developed a quality dashboard with key metrics to assess gaps and opportunities to help improve care.
- c. Balanced Scorecard Initiatives - HHC utilizes the Balanced Scorecard as a system-wide tool for disciplined goal-setting and achievement. It includes quality initiatives, with the success gauged by specific metrics that have been achieved.
Ex. A, p. 33; Ex. C, pp. 451-453

The Applicants assert that they will upgrade the Hospital's electronic health record system to EPIC, incorporate the Hospital into HHC's Institute Model and initiate various HHC quality initiatives post-closing. However, in order to ensure that the proposal will improve the quality of healthcare delivery in the region in accordance with Conn. Gen. Stat. § 19a-639(a)(5), the Applicants must comply with the Conditions set forth in the attached Order. Subsection (a)(2) is not applicable as the Statewide Health Care Facilities and Services Plan does not address the transfers of ownership of hospitals.

D. Financial Feasibility

23. HHC proposes to acquire substantially all of the assets of SVMC for \$244M. The purchase price reflects the net book value of SVMC fixed assets, net working capital (as of the date of Closing) and other intangible assets, including goodwill. Ex. A, p. 39
24. HHC has secured approval for a bridge loan from Citigroup Global Markets Inc. for the initial financing of the acquisition. Ex. A, pp. 39, 308
25. HHC states that a bridge loan is necessary as a temporary measure due to the timing differences between the anticipated close date of the transaction and the time required to secure public financing. Ex. C, p. 438

⁴ HHC uses Premier Inc., a healthcare improvement company, with an alliance of approximately 4,000 U.S. hospitals/ systems and 165,000 other healthcare providers/organizations for analytics.

⁵ Specific metrics captured in this platform include benchmark data on readmissions, mortality, patient safety measures, cost-of-care and length-of-stay.

26. Following the closing date, HHC anticipates that the bridge loan will be refinanced through a long-term public bond offering issued through the Connecticut Health and Educational Facilities Authority (“CHEFA”). Ex. C, p. 438
27. HHC is prepared to finance the repayment of the bridge loan with some other type of taxable debt (bonds, loan, etc.) in the event the CHEFA bond issuance is not approved. Ex. C, p. 459
28. HHC will commit \$135M in capital investments over a period of seven (7) years to SVMC Holdings and/or the Hospital service area. A description of the preliminary areas of investment are listed in the table below:

HHC’s Preliminary Capital Investment Plan for SVMC

Description	Total
Information Technology	\$50,000,000
Operating Room/Equipment Upgrades	\$25,000,000
Facility/Inpatient/ICU Upgrades	\$25,000,000
Ambulatory Development	\$35,000,000
Total	\$135,000,000

Ex. A, p. 18; Ex. C, pp. 457-458

29. The ongoing \$135M capital commitment will be funded as part of HHC’s debt financing (\$50M) and through system earnings and free cash flows from depreciation (\$85M). Ex. C, pp. 457-458
30. The Applicants do not anticipate any incremental losses as a result of the proposal. Ex. A, p. 18
31. HHC reported \$167.2M and \$182.7M in excess of revenue over expenses, respectively, in FYs 2017 and 2018. Ex. C, p. 514; OHS Hospital Reporting System, Report 350/385
32. HHC projects operating gains of approximately \$103M, \$125M and \$129M, respectively, in each of the first three years following the acquisition of SVMC. (See table below).

Financial Projections for HHC with the Proposal (in thousands)

Description	FY 2020 ¹	FY 2021	FY 2022
Total Operating Revenue	\$3,956,471	\$4,069,847	\$4,159,739
Operating Expenses	\$3,853,745	\$3,944,368	\$4,030,777
Income from Operations	\$102,726	\$125,479	\$128,962

¹The Applicants anticipate that St. Vincent’s holdings will begin operations on October 1, 2019.
 Ex. C, p. 514

The total capital cost of acquiring SVMC is \$244M. This amount will be funded initially through a bridge loan, which then will be refinanced through a long-term bond offering. Given HHC’s strong recent operating performance, no anticipated incremental losses and the projection of continued positive operating gains, the proposal is financially feasible. Accordingly, the Applicants meet Conn. Gen. Stat. § 19a-639(a)(4).

E. Cost to Consumers

33. The Applicants have stated that there are no plans to change SVMC's price structure or to implement facility fees at the newly acquired off-hospital campus physician locations. Ex. A, p. 37
34. The payer mix is not expected to have any significant changes. Medicaid patients accounted for nearly one-quarter (24.1%) of SVMC's payer mix in FY 2018, with a similar proportion expected to be served over the next several years. Ex. A, p. 44
35. HHC has agreed to maintain the financial assistance and charity care policies currently in effect at the Hospital immediately prior to closing and for approximately one year post-closing, or at such time the EMR system is converted to EPIC. Ex. A, p. 63
36. Upon conversion to EPIC, HHC will implement its own system-wide charity care policy at the Hospital. Ex. C, p. 448
37. The Applicants assert that HHC's charity care policy is within industry standards and is comparable to SVMC and other Connecticut hospitals and health systems. Ex. C, p. 448

HHC will implement its system-wide charity care policies following the conversion to EPIC at the Hospital. HHC will continue to maintain access to services for Medicaid and indigent patients following the SVMC acquisition at approximately the same levels. As a result, the Applicants have satisfied Conn. Gen. Stat. §§ 19a-639(a)(5) and (a)(6). However, the Applicants have not provided sufficient evidence to substantiate that the proposal will not adversely affect health care costs to the consumer post-affiliation. Accordingly, the Applicants must comply with cost-related Conditions enumerated in the attached Order to ensure that the proposal will not adversely affect consumer costs pursuant to Conn. Gen. Stat. § 19a-639(a)(12).

F. Existing Providers

38. SVMC is an existing provider of hospital inpatient and outpatient services, therefore the Applicants anticipate the proposal will have only minimal impact on established referral patterns in the Bridgeport area. Ex. A, pp. 48-49
39. Post transaction, HHC will develop a physician alignment strategy to integrate St. Vincent Multispecialty Group ("SVMG") with Hartford HealthCare Medical Group ("HHCMG"). SVMG providers will be aligned with HHCMG service lines and HHC Institutes, including cardiovascular care, oncology, urology, neurosciences, women's health, and other medical subspecialties. Ex. A, p. 34
40. The integration of SVMC physicians and the expansion of the HHC Institute model into the Bridgeport area is intended to enhance the breadth and depth of specialty services at SVMC, affording additional provider choices for patients and minimizing the need to

travel outside the service area for certain specialty services. Ex. A, pp. 47-48

41. To ensure continuity of care in the community, the Hospital's medical staff will initially remain substantially unchanged. All physician members in good standing at the time of closing will be able to maintain medical staff privileges at SVMC. Ex. A, p. 141

Access to and utilization of existing providers in the Bridgeport is expected to be enhanced by the integration of SVMG providers with HHCMG. Existing referral patterns are expected to remain initially unchanged. The proposal is intended, in part, to help enhance the breadth and depth of specialty services at the Hospital going forward. As such, Conn. Gen. Stat. §§ 19a-639(a)(8) and (a)(11) are satisfied. However, in order to ensure that the Applicants' proposal does not result in an unnecessary duplication of existing or approved health care services pursuant to Conn. Gen. Stat. §§ 19a-639(a)(9), OHS requires the Applicants to comply with the Conditions in the attached Order.

G. Demonstration of Need

42. The Applicants will continue to serve patients from SVMC's service area and do not expect any significant changes to the historical payer mix. Ex. A, pp. 26, 44
43. The population of Fairfield County is projected to grow (+2.4%) and age over the next five years. By 2022, the 50-and-older age cohorts are projected to represent 38.3% of the population. Accordingly, the service area demand for health care services will likely increase. Ex. A, p. 22
44. The Applicants anticipate that access to primary care services will be enhanced and supported by HHC's ability to recruit new providers. Participation in HHC's broad ambulatory network will help develop specialty and sub specialty services that are not currently provide in the service area.⁶
45. The Applicants anticipate a greater demand for services at the Hospital⁷ following the ownership change - inpatient discharges are projected to increase by approximately six percent (+6%) from FY 2020 to FY 2022. Ex. A, p. 43

The proposal will help maintain all services for SVMC's existing patient population and expand access to primary and secondary care in the service area. HHC's acquisition will likely minimize further physician losses and patient volume reductions. Thus, the Applicants have identified the

⁶ Specific examples of specialty and sub specialty services that are not currently provided in the SVMC service area include: transplant services, continuous EEG monitoring, extracorporeal membrane oxygenation (ECMO), endovascular surgery and complex neurosurgical craniotomies.

⁷ Volume projections are based on the SVMC budget forecast for each major service category and reflects volume growth attributable to demographic factors (population growth and aging), payer mix, market share, and utilization factors. Specific programmatic growth is associated with service line expansion as a result of extending the HHC Institute model to SVMC.

patient population to be served and have demonstrated need for the proposal in conformance with Conn. Gen. Stat. §§ 19a-639(a)(3), (6)-(7).

Based upon the foregoing, the Applicants have met their burden in satisfying Conn. Gen. Stat. § 19a-639(a)(3), (4) (6)-(8), and (11). Due to the nature of the proposal type—a transfer of ownership resulting in no reduction in access for Medicaid patients—Conn. Gen. Stat. §§ 639(a)(10) is not germane to the application. Lastly, the Statewide Health Care Facilities and Services Plan does not address transfers of ownership and OHS currently has no policies or regulations in place regarding such transfers. Accordingly, Conn. Gen. Stat. §§ 19a-639(a)(1) and (2) cannot be applied.

OHS requires the Applicants to comply with the Conditions in the attached Order to ensure that they have met their burden of satisfying Conn. Gen. Stat. §§ 19a-639(5), (9) and (12).

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Order

Based upon the foregoing Findings of Fact and Discussion, the request for authorization of St. Vincent's Medical Center ("SVMC"), Hartford HealthCare Corporation ("HHC") and its subsidiary, SVMC Holdings, Inc. ("SVMC Holdings" or "Hospital"), herein collectively referred to as ("Applicants"), to transfer substantially all of SVMC's assets to SVMC Holdings; and

the Findings of Fact and Discussion in Certificate of Need ("CON") Docket Number 18-32272-CON, incorporated by reference herein, involving the transfer of ownership of St. Vincent's Multispecialty Group, Inc. ("SVMG") to SVMC Holdings, and the subsequent consolidation of SVMG with Hartford HealthCare Medical Group, Inc. ("HHC MG"), are hereby Approved under Conn. Gen. Stat. § 19a-639(a), subject to the enumerated conditions (the "Conditions") set forth below.

All references to days in these Conditions shall mean calendar days.

1. For three (3) years following the closing of the transfer of ownership (the "Closing Date" or "Date of Closing"), HHC/SVMC Holdings shall include at least one (1) community representative to serve as a voting member on the SVMC Board of Trustees with rights and obligations consistent with other SVMC Holdings voting members on SVMC Holdings' Board of Trustees. HHC/SVMC Holdings shall select the community representative in a manner that ensures the appointment of an unbiased individual who will fairly represent the interests of the communities (i.e., the Primary Service Area defined herein) served by SVMC Holdings. SVMC Holdings shall, for the appointment of each new community representative, provide notification to OHS that includes:
 - a. The name of the community representative;
 - b. A resume or curriculum vitae for the appointed representative; and
 - c. The rationale for the appointment of the community representative.

HHC/SVMC Holdings shall ensure that such Board meetings are held in such a manner to allow full participation of the one or more community representatives.

2. For three (3) years following the Closing Date, SVMC Holdings shall hold two (2) annual community meetings, provided however, that should the duration of the Independent Monitor requirement set forth in Condition 9 be extended at OHS' discretion, this requirement's duration shall be equally extended. The public shall be notified at least two (2) weeks in advance of the date and time for each meeting. Additionally, SVMC Holdings shall schedule each meeting at a convenient time and location for the public. During these meetings, SVMC Holdings shall inform the public of SVMC Holdings' activities and the public shall be afforded an opportunity to ask questions and make comments regarding those activities.
3. HHC/SVMC Holdings shall ensure that the Hospital maintains and adheres to its current policies regarding charity care and indigent care after the Closing Date until such time as the Hospital transitions to HHC's charity care policy, which shall be consistent with state

and federal law. These policies shall be prominently posted on the individual Hospital's website and as additionally required by applicable law.

4. For five (5) years following the Closing Date, HHC/SVMC Holdings shall provide written notice to OHS of any significant modification, amendment or revision to the charity care and indigent care policy at the Hospital that result in material increased costs to consumers at least thirty (30) days prior to the implementation of such change. The notice of these changes shall be accompanied by copies of any revised policies, which shall be consistent with state and federal law. The notice and revised policies shall be prominently posted on the Hospital's website following notice to OHS.
5. HHC/SVMC Holdings shall participate with key community stakeholders, health organizations and local health departments in the Primary Service Area, in conducting the 2022 Community Health Needs Assessment ("CHNA") and shall submit SVMC Holdings' CHNA, as well as the CHNA Implementation Strategies, to OHS within thirty (30) days of completion. SVMC Holdings and the participants shall utilize Healthy Connecticut State Health Improvement Plan⁸ data and priorities as the starting point for the new CHNA, as well as any applicable community health improvement plan issued by any local health department in the Hospital's service area.⁹ The Implementation Strategy shall also adopt the evidence-based interventions identified in the Centers for Disease Control and Prevention's ("CDC's") 6/18 initiative¹⁰ to the extent the health priorities identified in the CHNA correlate to the health conditions identified by the CDC and provide information on how patient outcomes related to the Implementation Strategy will be measured and reported to the community. The CHNA and the Implementation Strategies shall be published on the Hospital's website.
6. SVMC Holdings shall maintain community benefit programs and community building activities for five (5) years after the Closing Date consistent with SVMC's most recent Schedule H of IRS Form 990.

SVMC Holdings shall apply no less than a 1% increase per year for the next five (5) years toward the Hospital's net community benefit expenses classified as Other Benefits and net community building expense in terms of dollars spent. Such community benefit expense calculation shall not include amounts expended for Health Professions Education, Patient Financial Assistance, or Medicaid, as reported in section 7 of Schedule H of IRS Form 990.

In determining SVMC Holdings' participation and investment in both community

⁸ Connecticut State Department of Public Health, Healthy Connecticut 2020, State Health Improvement Plan, <https://portal.ct.gov/dph/State-Health-Planning/Healthy-Connecticut/Healthy-Connecticut-2020>, last accessed on May 15, 2019.

⁹ Other tools and resources that SVMC Holdings is encouraged to consider include County Health Rankings and CDC Community Health Improvement Navigator in order to assist with the study process in terms of an understanding of social, behavioral, and environmental conditions that affect health, identifying priorities, and the use of evidence based interventions.

¹⁰ Centers for Disease Control and Prevention, CDC's 6/18 Initiative, <https://www.cdc.gov/sixeighteen/>, last accessed on May 15, 2019.

benefits and community building activities, SVMC Holdings shall ensure its community benefits and community building activities directly address the health needs identified by the applicable CHNA in effect at the time and the population health management objectives, including social determinants of health, contained in the related Implementation Strategy. No later than thirty (30) days after the filing of each FY Schedule H, Form 990, SVMC Holdings shall provide OHS with documentation detailing how its community benefit and community building activity expenditures addressed each element identified in the applicable CHNA, with brief narrative explanation of relevant activity for that element, and dollars spent.

7. HHC/SVMC Holdings agrees to file the following documents or information within one (1) month of the Closing Date:
 - a. Notice to OHS of the effective date of the transfer of ownership transaction. Such notice shall be accompanied by the Final Execution copies of all agreements related to same, including but not limited to:
 - i. The Asset Sale Agreement, including any and all schedules and exhibits;
 - ii. Certificate of Incorporation documents, Bylaws or similar governance documents for SVMC Holdings; and
 - iii. A name and contact information for the individual(s) responsible for submitting compliance documents and responding to compliance inquiries.

HHC/SVMC Holdings shall provide OHS a list of any information required for submission under (7)(a)(i) that it believes is exempt from disclosure under Conn. Gen. Stat. § 1-210, along with an explanation why each proposed redaction is specifically being claimed as exempt for public record purposes. OHS shall determine if such request for exemption is consistent with Conn. Gen. Stat. § 1-210 and whether OHS will honor the exemption if it is so.

8. Within sixty (60) days after the Closing Date, HHC/SVMC Holdings shall provide OHS with a list of not less than three (3) candidates to serve as an Independent Monitor, including each candidate's qualifications and experience and an attestation that said candidate has no existing or expected contractual or employment relationship with any party to the Asset Purchase Agreement other than as an Independent Monitor. OHS will review and rank the proposed candidates by preference. HHC/SVMC Holdings shall offer to contract with a candidate to serve as Independent Monitor from the approved list, in the order ranked.
9. The Independent Monitor shall be responsible for monitoring HHC/SVMC Holdings' compliance with the Conditions set forth in this Order. The Independent Monitor shall be retained at the sole expense of HHC/SVMC Holdings up to the statutory cap. The Independent Monitor shall be engaged for a minimum period of three (3) years following the Closing; however, such obligation to provide an Independent Monitor may be extended at OHS's sole discretion. HHC/SVMC Holdings shall provide the Independent Monitor with appropriate access to the Hospital and its applicable records in order to enable the Independent Monitor to fulfill its functions hereunder.

10. The Independent Monitor shall report to OHS. The Independent Monitor shall meet with representatives of HHC/SVMC Holdings and members of the Hospital community, in person, on a quarterly basis. The Independent Monitor shall also issue a quarterly report to OHS concerning: the efforts HHC and SVMC Holdings have taken to comply with the Conditions herein and HHC and SVMC Holdings' plans for future compliance. The quarterly report shall include an update of community benefits and uncompensated care provided by SVMC Holdings.

The Independent Monitor shall furnish a written report of his or her assessment to OHS within thirty (30) days of the completion of each quarterly on-site review. Both SVMC Holdings and HHC shall have the opportunity to review and provide written responses to the report which has been filed with OHS. As OHS deems necessary, the Independent Monitor shall meet with OHS personnel to discuss the written report and shall perform additional periodic reviews as directed by OHS.

11. In addition to the above, for a minimum period of three (3) years post-Closing:
 - a. SVMC Holdings shall hold a public forum in the Primary Service Area within sixty (60) days following the receipt of the Independent Monitor's report to provide public review and comment on the monitor's reports and findings as provided to OHS.
 - b. If the Independent Monitor determines that HHC/SVMC Holdings is substantially out of compliance with the CON Conditions, the Independent Monitor shall notify OHS and HHC/SVMC Holdings in writing regarding the deficiency. Within two (2) weeks of such notice, the Independent Monitor shall convene a meeting with representatives from HHC/SVMC Holdings for the purpose of determining compliance and any appropriate corrective action plan. If HHC/SVMC Holdings fails to implement a plan of correction satisfactory to the monitor within thirty (30) days of such meeting, the monitor shall report such substantial noncompliance to OHS. OHS shall determine whether such non-compliance has had a negative material impact and what remedy is reasonably necessary to bring HHC/SVMC Holdings into compliance and shall have the right to enforce these Conditions by all means and remedies available to it under law and equity, including but not limited to Conn. Gen. Stat. §19a-642 and the right to impose and collect a civil penalty under Conn. Gen. Stat. § 19a-653. In addition, in the event OHS determines HHC/SVMC Holdings is in material non-compliance, OHS may order HHC/SVMC Holdings to provide additional community benefits as necessary to mitigate the impact of such noncompliance.
12. SVMC Holdings shall comply with the terms and price constraints specified in Attachment A for a period of three (3) years.
13. HHC/SVMC Holdings understands that OHS will use the All Payer Claims Database ("APCD") to monitor claims for inpatient, outpatient and emergency services provided to consumers, including the average Commercial Unit Price Rate for services delivered by HHC/SVMC Holdings employed providers at the Hospital and at SVMG during a given

Fiscal Year. OHS shall compare said Rates with those Rates for the immediately preceding Fiscal Year.

If OHS, in its sole discretion, determines that there is a substantial year-to-year increase of these Commercial Unit Price Rates in excess of the Health Care Cost Growth Benchmark Limit described in Attachment A, it may require HHC/SVMC Holdings to justify such increases and the impact of such increases to consumers in the Hospital's and in SVMG's primary service area.

14. SVMC Holdings shall, in accordance with the terms in Attachment A, use reasonable efforts to promote ongoing, annual increases of the number of unduplicated patients attributed to an Alternative Payment Model ("APM") or an Advanced Alternative Payment Model ("AAPM") in which SVMG physicians are accountable for quality and total cost of care during the specified calendar years, and that pursue or continue APMs with public and private payers to improve population health, reduce the rate of unnecessary cost or utilization growth, improve access to primary care, address social determinants of health and to help the state achieve its vision of overall cost containment, and improved quality and access to affordable health care. Such relationships may include value-based purchasing and alternative payment methods that account for total cost of care and quality and address social determinants of health and needs identified in the most recent CHNA.
15. Following the Closing Date, SVMC Holdings will participate in the Medicare shared savings program or its successor or other total cost of care APM implemented by CMS consistent with the terms included in Attachment A.
16. SVMC Holdings shall, for a period of three (3) years, submit an annual report demonstrating compliance with Condition #'s 12, 14 and 15. The initial report shall be due with the first semi-annual filing due November 30, 2020 and then annually thereafter.
17. Within one (1) year of the Closing Date, HHC/SVMC Holdings shall file a complete copy of its Strategic Plan for acute and ambulatory care in the Hospital's Primary Service Area. Such Strategic Plan shall be filed within one (1) month of its completion and shall include any and all exhibits, schedules and/or attachments. No part of this planning document may be redacted from submission to OHS, but OHS shall withhold from disclosure any portion of the Strategic Plan that OHS determines is protected from disclosure pursuant to Conn. Gen. Stat. § 1-210(b)(5)(B).
18. HHC/SVMC Holdings agrees to file the following documents and information on a semi-annual basis. For purposes of this Order, semi-annual periods are October 1-March 31st and April 1- September 30th. The required information is due no later than two (2) months after the end of each semi-annual period and due dates are May 31st and November 30th. The first semi-annual filing will be due November 30, 2020. These semi-annual filings should be submitted to OHS in Excel and PDF format.

- a. HHC/SVMC Holdings shall provide a report detailing any material cost savings achieved as a result of this proposal. This report shall be required for five (5) years following the Closing Date, and be provided for SVMC Holdings.
 - i. The cost saving totals achieved in the following operating expense categories for SVMC Holdings: Salaries and Wages, Fringe Benefits, Contractual Labor Fees, Medical Supplies and Pharmaceutical Costs, Depreciation and Amortization, Interest Expense, Malpractice Expense, Utilities, Business Expenses and Other Operating Expenses. The categories shall be consistent with the major operating expense categories (Categories A, B, C, D, E, G, H, I, J, and K) which are in use at the time of reporting in the OHS Hospital Reporting System ("HRS") Report 175 or successor report.

The semi-annual submission shall also contain narratives describing:

- A. the major cost savings achieved for each expense category for the semi-annual period;
- B. the effect of these cost savings on the clinical quality of care; and
- C. a consolidated Balance Sheet, Statement of Operations, and Statement of Cash Flows for the Hospital and its immediate parent corporation. The format shall be consistent with that which is in use at the time of reporting in OHS's HRS Reports 100/300 (balance sheets), 150/350 (statement of operations) or successor reports.

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- b. A report of financial measurements. This report shall be required for five (5) years following the Closing Date and shall be filed with OHS for SVMC Holdings and HHC. This report shall show current month and year-to-date data and comparable prior year period data. The following financial measurements/ indicators should be addressed in the report:

Financial Measurement/Indicators
A. Operating Performance
1. Operating Margin
2. Non-Operating Margin
3. Total Margin
B. Liquidity
1. Current Ratio
2. Days Cash on Hand
3. Days in Net Accounts Receivables
4. Average Payment Period
C. Leverage and Capital Structure
1. Long-term Debt to Equity
2. Long-term Debt to Capitalization
3. Unrestricted Cash to Debt
4. Times Interest Earned Ratio
5. Debt Service Coverage Ratio
6. Equity Financing Ratio
D. Additional Statistics
1. Income from Operations
2. Revenue Over/(Under) Expense
3. Cash from Operations
4. Cash and Cash Equivalents
5. Net Working Capital
6. Free Cash Flow (and the elements used in the calculation)
7. Unrestricted Net Assets/Retained Earnings
8. Bad Debt as % of Gross Revenue
9. Credit Ratings (S&P, FITCH or Moody's)

19. HHC/SVMC Holdings agrees to file the following documents and information on an annual basis. These filings are due no later than two (2) months after the end the semi-annual period ending March 31st, due May 31st, for a period of five (5) years, and shall be posted on the Hospital's website.
 - a. A written report describing the achievement of the Strategic Plan components to retain and enhance healthcare services in the Hospital's Primary Service Area, including with respect to physician recruitment and resource commitments for clinical service programming.
 - b. An updated plan demonstrating how health care services are currently provided and will be provided by SVMC Holdings for the first five (5) years following the Closing, including any consolidation, reduction or elimination of existing services/group practices or introduction of new services/ group practices (the "Services Plan"). The Services Plan shall be provided in a format consistent with that provided by HHC/SVMC Holdings to OHS in its response to Question 4bi, and ii on pages 60-62 of Exhibit A 18-32271-CON. No part of this planning document may be redacted from submission to OHS, but OHS shall withhold from disclosure any portion of the Strategic Plan that OHS determines is protected from disclosure pursuant to Conn. Gen. Stat. § 1-210(b)(5)(B).
 - c. An affirmation document attesting to the following:
 - i. Affirmation that HHC/SVMC Holdings is meeting the obligations of Conditions #s 1 and 2.
 - ii. Affirmation that no existing SVMG physician office operating at the time of Closing has been converted to hospital-based status.
 - iii. Affirmation that any new contracts are consistent with the commitments of Condition #s 12, 14 and 15, above.
 - iv. Affirmation that there has been no change in the service provision plan submitted on pages 60-62 of Exhibit A, or, if services have or are planned to change from the same submission, SVMC Holdings shall specify all changes, including any consolidation, reduction, or elimination of existing services or introduction of new services.
20. HHC/SVMC Holdings shall, with the first semi-annual filing due November 30, 2020, and then annually thereafter for a total of three (3) years, submit to OHS data concerning quality performance, including on readmission measures and related quality performance measures, a report quantifying the thirty (30)-day readmission rates, infection rates, surgical complication rates, patient safety scores and patient experience ratings for the Hospital.
21. HHC/SVMC Holdings shall, following submission of the initial data referenced in Condition # 20 above, submit annual reports to OHS updating the data for a period of three (3) years. HHC/SVMC Holdings shall provide detailed explanations for any negative changes in rates or scores from the previous year and shall include a plan of action that details how it will address them.

22. HHC/SVMC Holdings shall, within one-hundred twenty (120) days of the Closing Date, contract with the Connecticut Health Information Exchange Entity ("HIEE"), if operational or, if the HIEE is not operational, with OHS, to participate in Connecticut's Core Data Analytics Solution, including but not limited to the electronic clinical quality metrics pilot. In the event that HHC/SVMC Holdings contracts with OHS for this purpose, HHC/SVMC Holdings agrees that such contract shall be transferrable to the HIEE when possible.
23. HHC/SVMC Holdings shall, within eighteen (18) months of the Closing Date, provide a written report detailing the implementation and dates of completion of the following initiatives for SVMC Holdings:
 - a. SVMC Holdings' adoption of the HHC Institute model;
 - b. The installation of the Electronic Health Record ("EHR") platform called Epic ("Epic Care Connect") at the Hospital and SVMC Holdings' alignment with other HHC system affiliates;
 - c. The integration of SVMC Holdings into HHC's quality improvement platform, including participation in clinical quality councils.

If the aforementioned initiatives have not been implemented when the initial annual report is due to OHS, HHC/SVMC Holdings shall disclose the reasons for the delay and shall include a projected date for the completion of any outstanding initiatives. HHC/SVMC Holdings will continue to update OHS regarding the status of any outstanding initiatives in a written report every six (6) months following the initial annual report.

24. HHC/SVMC Holdings shall provide to OHS, within thirty (30) days of closing, an updated organizational chart that depicts all of the newly acquired assets resulting from the transfer of ownership.
25. OHS and the Applicants agree that this settlement represents a final agreement between OHS and the Applicants with respect to OHS Docket Numbers: 18-32271-CON and 18-32272-CON. The execution of this agreed settlement resolves all objections, claims and disputes, which may have been raised by the Applicants with regard to OHS Docket Number: 18-32271-CON and 18-32272-CON.
26. OHS may enforce this settlement under the provisions of Conn. Gen. Stat. §§ 19a- 642; 19a-653 and all other remedies available at law, with all fees and costs of such enforcement to be paid by the Applicants.
27. This settlement shall be binding upon the Applicants and its successors and assigns. This settlement shall authorize the sale of substantially all of the assets of SVMC, a subsidiary of Ascension, to SVMC Holdings. The settlement shall not otherwise bind SVMC or give OHS the right to enforce the prospective terms of this settlement against SVMC.

All of the foregoing constitutes the final Order of the Office of Health Strategy in this matter.

By Order of the
Office of Health Strategy

8-13-19
Date

Victoria Veltri, JD, LL.M.
Executive Director

Date

Duly Authorized Agent for
Hartford HealthCare Corporation

Date

Duly Authorized Agent for
SVMC Holdings, Inc.

Date

Duly Authorized Agent for
St. Vincent's Medical Center

Date

Duly Authorized Agent for
St. Vincent's Multispecialty Group, Inc.

Date

Duly Authorized Agent for
Hartford HealthCare Medical Group, Inc.

All of the foregoing constitutes the final Order of the Office of Health Strategy in this matter.

By Order of the
Office of Health Strategy

Date

8/13/2019

Date

8/13/19

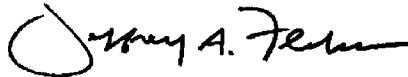
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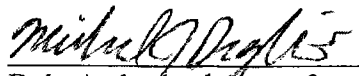
Date

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By Order of the
Office of Health Strategy

Date
Executive Director

Victoria Veltri, JD, LLM


Date

Duly Authorized Agent for
Hartford HealthCare Corporation

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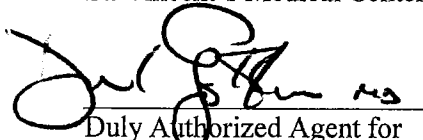
Duly Authorized Agent for
SVMC Holdings, Inc.

8/13/19
Date



Duly Authorized Agent for
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8/13/19 —
Date



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Date

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8/13/2019
Date



Duly Authorized Agent for
Hartford HealthCare Medical Group, Inc.

Attachment A

Attachment A

a. These terms shall have the following meaning:

1. "Alternative Payment Methods" means any transfer of funds from a Payer to SVMC Holdings pursuant to a contract for a commercial health insurance product or a Managed Medicare health insurance product that is not captured by Commercial Unit Price payments, including but not limited to risk payments (e.g., per member-per-month reimbursement), quality payments, and infrastructure payments.
2. "Baseline Set of Services" shall be the volume of each and every health care service provided at the Hospital and/or Covered SVMC Holdings Providers to a commercial Payer's enrollees (excluding enrollees in a commercial Payer's Managed Medicare plans) in the most recently completed Contract Year.
3. "Contract Year" shall mean the twelve (12) month period beginning on the date the rate schedule in a commercial health plan contract takes effect.
4. "Commercial Unit Price" shall mean the negotiated rate of reimbursement to be paid to SVMC Holdings or any Covered SVMC Holdings Provider in exchange for providing a specified health care service to an enrollee in Connecticut, as is paid in one of the commercial health plan's "fee-for-service" commercial health insurance products, including but not limited to rates of reimbursement for physician fees, professional fees and/or facility fees.
5. "Covered SVMC Holdings Providers" shall mean SVMC Holdings employed physicians providing inpatient and/or outpatient services at the Hospital and the multispecialty group, including but not limited to emergency and urgent care services.
6. "Health Care Cost Growth Benchmark Limit" shall be lesser of either: i) the change in the Consumer Price Index for the Northeast region, as established by the United States Department of Labor, Bureau of Labor Statistics from the preceding year plus 1.0%, or ii) 3.0%.
7. "Payer" means any organization or entity, other than a governmental health care program, that contracts with health care providers and other health care organizations to provide or arrange for the provision of health care services to any person or group of persons and that is responsible for payment to such providers and other health care organizations of all or part of any expense for such health care services, including but not limited to commercial insurance companies, health maintenance organizations, preferred provider organizations, union trust funds, multiple employer trusts and self-insured health plans.
8. "Payer Contract" means a contract between SVMC Holdings and a Payer pursuant to which SVMC Holdings agrees to provide or arrange for the provision of health care services to enrollees of the Payer's commercial health insurance products and/or the Payer's Managed Medicare Insurance Products.

9. "Price Constraint Period" shall mean the three (3) years following the Date of Closing.

10. "SVMC Holdings Price Constraint" for any Contract Year beginning within the Price Constraint Period shall not exceed the Health Care Cost Growth Benchmark Limit.

11. "Total Projected Revenue" shall, for each SVMC Holdings Fiscal Year, mean the amount calculated in accordance with subsections (c)(d) and (e) of this Attachment A.

b. During the Price Constraint Period, SVMC Holdings shall not negotiate: 1) commercial health plan contracts with rates first going into effect within the Price Constraint Period, or 2) an existing commercial health plan contract that is extended or renewed during the Price Constraint Period, that result in a Commercial Unit Price Increase ("CUPI") (as defined below) for SVMC Holdings that is greater than the Health Care Cost Growth Benchmark Limit. The Commercial Unit Price Rate Increase shall be the percentage change in Total Projected Revenue that would be paid to SVMC Holdings from one Fiscal Year to the immediately following Fiscal Year.

HHC/SVMC Holdings shall not contract with any commercial health plan to impose a single system-wide rate, except that if a commercial Payer proposes a system-wide rate and HHC/SVMC Holdings can satisfactorily demonstrate to OHS that projected savings of such a proposal in comparison to SVMC Holdings' commercial rates will be used to improve the quality of patient care and access to services, including but not limited to, behavioral health and primary care, the OHS may approve a system-wide rate.

c. To calculate the Projected Revenue for a given service in each Contract Year, the negotiated Commercial Unit Price for that SVMC Holdings service in that Contract Year is applied to the volume of that service in the Baseline Set of Services, weighted by commercial payer mix.

i. If the Baseline Net of Services were those provided in the 2018 Contract Year, to calculate the Projected Revenue for a given service for the 2020 Contract Year, the negotiated Commercial Unit Price for that service for 2020 would be applied to the volume of that service provided in the 2018 Contract Year; if the Baseline Set of Services were those provided in a recent trailing twelve-month period, to calculate the Projected Revenue for a given service for the 2020 Contract Year, the negotiated Commercial Unit Price for that service for 2020 would be applied to the volume of that service provided in that twelve-month period.

ii. For example, to calculate the weighted Projected Revenue for any given hospital service with multiple commercial payers:¹¹

¹¹ While this example applies to a hospital service, similar calculations would apply for the multispecialty group services.

- a. Assume total hospital volume of 10,000 for Service A during the prior, completed Contract Year;
- b. Of the 10,000, 6,000 were attributed to Payer X, 1,250 to Payer Y, 750 to Payer Z and 2,000 to Payer Q.

Payer	2018 Service A Rate	Payer Volume	2018 Contract Year Revenue	Proposed 2020 Service A Rate	2020 Projected Revenue	CUPI % Change Service A
			=Rate * volume		=Rate * volume	=(2020 Rev-2018 Rev) / (2018 Rev)*100
Payer X	\$350	6,000	\$2,100,000	\$370	\$2,220,000	5.7%
Payer Y	\$315	1,250	\$393,750	\$319	\$398,750	1.3%
Payer Z	\$295	750	\$221,250	\$301	\$225,750	2.0%
Payer Q	\$343	2,000	\$686,000	\$333	\$666,000	-2.9%
Total		10,000	\$3,401,000		\$3,510,500	3.2%

Using the data in the Table above, the Projected Commercial Unit Price Rate Increase percentage for this hospital service would be:

$$(\$3,510,500 - \$3,401,000) / (\$3,401,000) * 100 = 3.2\%$$

- d. The Total Projected Revenue for each Contract Year shall be the sum of the SVMC Holdings Projected Revenue amounts for all services included in the Baseline Set of Services for that Contract Year.
- e. To calculate the Commercial Unit Price Rate of Increase for SVMC Holdings’ Fiscal Year, the Total Projected Revenue for that Fiscal Year is compared to the Total Projected Revenue for the immediately-preceding Fiscal Year.
- f. Alternative Payment Models
 1. For any Contract Year of a Payer contract executed on or after the Closing Date, with rates first going into effect within the Price Constraint Period, SVMC Holdings and a commercial health plan are free to enter into an agreement that provides payment for a commercial health insurance product to SVMC Holdings or a Covered SVMC Holdings Provider through one or more Alternative Payment Methods provided that:
 - i. Any Commercial Unit Price rates used in the calculation of payments to SVMC Holdings shall be subject to the SVMC Holdings Price Constraint.
 - ii. SVMC Holdings, throughout any negotiation with a commercial Payer, shall make available the option for any or all lives and/or services covered by said Payer under a commercial health insurance product to be paid pursuant to a Commercial Unit Price agreement at a rate of increase no-greater-than the SVMC Holdings Price Constraint.
 - a) SVMC Holdings and the commercial health plan are in no way constrained in negotiating Alternative Payment Methods for commercial health insurance products and may agree to any Alternative Payment Method for

- any or all lives and/or services that both parties find mutually preferable to a price constrained Commercial Unit Price arrangement for such lives and/or services.
- b) If SVMC Holdings and a commercial health plan are unable to negotiate an Alternative Payment Method for a commercial health insurance product which SVMC Holdings and the Payer find acceptable, SVMC Holdings and the Payer may choose to implement a Commercial Unit Price arrangement covering such lives and/or services.
 - c) The options described herein preserve the ability of SVMC Holdings and a commercial health plan to innovate and develop mutually advantageous arrangements that improve quality and reduce healthcare spending in the State while ensuring that Commercial Unit Price arrangements are constrained by the SVMC Holdings Price Constraint.