



STATE OF CONNECTICUT
OFFICE OF HEALTH CARE ACCESS

M. JODI RELL
GOVERNOR

CRISTINE A. VOGEL
COMMISSIONER

June 6, 2007

Jennifer L. Groves
Updike, Kelly & Spellacy, P.C.
One Century Tower
265 Church Street
New Haven, CT 06510

RE: Certificate of Need Determination Request; Report Number: 07-30953-DTR
Proposal from HealthSouth Corporation
Service Termination through the Sale of Thirty-Five (35) Connecticut Outpatient
Rehabilitation Centers by HealthSouth Corporation to Select Medical Corporation
and the Establishment of Select Medical Corporation as the New Parent Owner
for the Continued Operation of the Thirty-Five (35) Connecticut Outpatient
Rehabilitation Centers

Dear Attorney Groves:

On April 9, 2007, the Office of Health Care Access ("OHCA") received your Certificate of Need ("CON") Determination request on behalf of HealthSouth Corporation. OHCA requested additional information and received response information with respect to the request from you on behalf of HealthSouth on May 21, 2007.

HealthSouth Corporation is proposing a termination of outpatient rehabilitation services through the sale of thirty-five (35) Connecticut outpatient rehabilitation centers by HealthSouth Corporation to Select Medical Corporation and the establishment of Select Medical Corporation as the new parent owner for the continued operation of the thirty-five (35) Connecticut outpatient rehabilitation centers. Please be advised that OHCA has reviewed your request and makes the following findings:

1. HealthSouth Corporation ("Petitioner") is a for-profit Delaware corporation, headquartered in Birmingham, Alabama.

An Equal Opportunity Employer
410 Capitol Ave., MS#13HCA, P.O.Box 340308, Hartford, CT 06134-0308
Telephone: (860) 418-7001 Toll-Free: 1-800-797-9688
Fax: (860) 418-7053

2. The corporation is comprised of four operating divisions, one of which is the Outpatient Rehabilitation Division.
3. The Petitioner is a health care facility pursuant to Section 19a-630(1) of the Connecticut General Statutes (“C.G.S.”). Section C.G.S. 19a-630(1) provides in relevant part:

(1) "Health care facility or institution" means any facility or institution engaged primarily in providing services for the prevention, diagnosis or treatment of human health conditions, including, ... rehabilitation facilities.....". "Health care facility or institution" includes any parent company, subsidiary, affiliate or joint venture, or any combination thereof, of any such facility or institution ..."

4. Through the subsidiaries of its Outpatient Rehabilitation Division, the Petitioner owns and operates approximately six hundred (600) outpatient rehabilitation centers nationwide. Thirty-five (35) of these outpatient rehabilitation centers are located in Connecticut.
5. The Connecticut centers offer comprehensive outpatient rehabilitative care for general orthopedic and sports injuries and conditions, as well as work-related injuries.
6. HealthSouth Corporation recently entered into an agreement to sell its entire Outpatient Rehabilitation Division to Select Medical Corporation, Inc., a Delaware corporation headquartered in Mechanicsburg, PA.
7. The Petitioner’s request proposes the following with respect to its thirty-five (35) Connecticut centers:
 - a) The termination of comprehensive outpatient rehabilitation services currently being offered at the centers; and
 - b) The establishment of Select Medical System, Inc., as the new parent owner of the centers.
8. The Petitioner contends that its Connecticut outpatient rehabilitation centers should be considered exempt facilities with regard to Certificate of Need filing requirements.
9. The transaction regarding the sale of the thirty-five (35) Connecticut centers is valued at \$14,459,087.
10. Each of the Connecticut outpatient rehabilitation centers affected by the proposal is currently owned by one of the Outpatient Rehabilitation Division’s five (5) operating entities. The five operating entities and their respective operating centers are as follows:
 - a) Advantage Rehabilitation Center, Inc.

HSMRC New London	HSMRC Trumbull
HSMRC Norwich	HSMRC Shelton
HSMRC Old Saybrook	HSMRC Fairfield
HSMRC Old Lyme	HSMRC Fairfield

b) PTSMA, Inc.

HSMRC West Harford	HSMRC Windsor	HSMRC Berlin
HSMRC Middletown	HSMRC Manchester	HSMRC Farmington
HSMRC Bloomfield	HSMRC Glastonbury	HSMRC Avon
HSMRC Hartford	HealthSouth Newington	HSMRC Simsbury
HSMRC Bloomfield	HSMRC Bristol	HSMRC East Granby
HSMRC Enfield	HSMRC New Britain	
HSMRC East Hartford	HSMRC Plainville	

c) Professional Sports Care Management, Inc.

HSMRC Meriden	HSMRC Danbury	HSMRC Sharon
HSMRC Norwalk	HSMRC New Milford	HSMRC Trumbull

d) Madison Rehabilitation, Inc. d/b/a HSMRC Madison

e) HealthSouth Rehabilitation Center of Connecticut, LP d/b/a HSMRC Storrs

11. After the proposed sales transaction is complete, Select Medical Corporation intends to maintain each of the outpatient rehabilitation centers at its current location, providing the same array of services with existing staff to the same population served by the centers under HealthSouth Corporation's ownership.
12. Outpatient rehabilitation facilities must meet certain requirements pursuant Section 19a-639a C.G.S. to be considered for an exemption from the Certificate of Need process. This section provides in relevant part:
 - (a) *Except as required in subsection (b) of this section, the provisions of section 19a-638 and subsection (a) of section 19a-639 shall not apply to... (3) an outpatient rehabilitation service agency that was in operation on January 1, 1998, that is operated exclusively on an outpatient basis and that is eligible to receive reimbursement under section 17b-243;*
 - (b) *Each health care facility or institution exempted under this section shall register with the office by filing the information required by subdivision (4) of subsection (a) of section 19a-638 for a letter of intent at least ten business days but not more than sixty calendar days prior to commencing operations and prior to changing, expanding, terminating or relocating any facility or service otherwise covered by section 19a-638 or subsection (a) of section 19a-639 or covered by both sections or subsections, except that, if the facility or institution is in operation on June 5, 1998, said information shall be filed not more than sixty days after said date. Not*

later than ten business days after the office receives a completed filing required under this subsection, the office shall provide the health care facility or institution with written acknowledgment of receipt. Such acknowledgment shall constitute permission to operate or change, expand, terminate or relocate such a facility or institution or to make an expenditure consistent with an authorization received under subsection (a) of section 19a-639 until the next September thirtieth. Each entity exempted under this section shall renew its exemption by filing current information once every two years in September.

13. HealthSouth Corporation indicates that none of its Connecticut outpatient rehabilitation centers is at present eligible for reimbursement under Section 17b-234 of the C.G.S., for the purposes of Section 19a-639a(a) exemption.
14. A review of the OHCA database containing outpatient rehabilitation registration and renewal requirements for exempt facilities pursuant to Section 19a-639a(b) of the C.G.S. indicates that the Petitioner's Connecticut outpatient rehabilitation centers do not meet the registration and renewal requirements.

From the review undertaken by OHCA in this matter, OHCA determines the following with respect to the Petitioner's thirty-five (35) Connecticut outpatient rehabilitation centers:

- a) HealthSouth Corporation is a health care facility pursuant to Section 19a-630(1), C.G.S.
- b) None of HealthSouth Corporation's outpatient rehabilitation centers is eligible for reimbursement under Section 17b-234 of the C.G.S., for the purposes of Section 19a-639a(a) exemption; and
- c) HealthSouth Corporation has not complied with the registration and renewal requirements for exempt outpatient rehabilitation facilities, pursuant to Section 19a-639a(b), C.G.S.

As such, Certificate of Need authorization from OHCA is required in this matter. HealthSouth Corporation shall not terminate the services provided at its outpatient rehabilitation centers in Connecticut and/or close any of its outpatient rehabilitation service centers in Connecticut until it receives CON authorization from OHCA.

If the Petitioner is agreeable, OHCA will consider the submission of information received on April 9, 2007 and May 21, 2007 as the Letter of Intent for this matter; therefore HealthSouth Corporation may file a completed CON application with OHCA between June 8, 2007 and August 7, 2007. The CON application is being mailed to your attention separately.

If the Petitioner is not agreeable with this process and wishes to secure CON authorization for the proposed transaction, HealthSouth Corporation must immediately notify OHCA in writing of its position and submit a Letter of Intent to OHCA regarding its proposal.

If you have any questions concerning this letter, please contact Jack A. Huber, OHCA Health Care Analyst, at (860) 418-7034.

Sincerely,

Signed by Cristine A. Vogel
Commissioner

CAV:jah

Copy: Rose McLellan License and Applications Supervisor, DPH, DHSR
Martha E. Meng, Murtha Cullina, LLP, legal counsel for Select Medical Corporation, Inc.