



STATE OF CONNECTICUT
OFFICE OF HEALTH CARE ACCESS

M. JODI RELL
GOVERNOR

CRISTINE A. VOGEL
COMMISSIONER

April 29, 2008

Ms. Jean Ahn,
System Director
Yale-New Haven Hospital
20 York Street
New Haven, CT 06504

Re: Certificate of Need Determination Request; Report Number: 06-30869-DTR
Yale-New Haven Hospital and Yale-New Haven Ambulatory Services Corporation
Restructuring of the Shoreline Surgery Center, LLC in Guilford, Connecticut

Dear Ms. Ahn:

On November 21, 2006, the Office of Health Care Access ("OHCA") received your Certificate of Need ("CON") Determination request on behalf of Yale-New Haven Hospital and Yale-New Haven Ambulatory Services Corporation ("Petitioners") regarding the restructuring of the Shoreline Surgery Center, LLC in Guilford, Connecticut. OHCA subsequently received additional information from the Petitioners concerning the request on November 13, 2007 and January 29, 2008. Upon review of the information contained in the request, OHCA makes the following findings:

1. Yale-New Haven Hospital ("Hospital") and Yale-New Haven Ambulatory Services Corporation ("ASC"), collectively identified as the Petitioners, are subsidiaries of Yale-New Haven Network Corporation.
2. On December 6, 2002, under Docket Number: 02-549, OHCA granted a Certificate of Need to the Hospital and ASC to establish and operate the Yale-New Haven Shoreline Medical Center, an ambulatory care center, at 111 Goose Lane in Guilford, Connecticut.
3. Various outpatient services are provided at the Yale-New Haven Shoreline Medical Center ("Shoreline Medical Center") including ambulatory surgery, endoscopy, radiology services, radiation therapy, satellite emergency room services, laboratory and pre-admission testing services.

4. Pursuant to the CON authorization provided in Docket Number: 02-549, the Petitioners established a joint venture between ASC and private physicians to provide ambulatory surgery and endoscopy services at the Shoreline Medical Center under the auspices of the Shoreline Surgery Center, LLC.
5. ASC holds a fifty-one percent (51%) ownership interest in the Shoreline Surgery Center, LLC, while the remaining forty-nine percent (49%) ownership interest in the Shoreline Surgery Center, LLC, is held by CGC Endoscopy, LLC, a group of private gastroenterologists.
6. The Petitioners propose to restructure the ambulatory surgery and endoscopy services provided at the Shoreline Medical Center, to accomplish the following:
 - Facilitate additional minority physician investment in the ambulatory surgery services at the Shoreline Medical Center by surgeons who practice at the Shoreline Surgery Center, LLC; and
 - Obtain specialized management expertise by contracting with a third-party company (“management company” or “manager”) experienced in the administration and operation of free-standing surgery centers.
7. The Petitioners indicate that the selected management company may be permitted to share in either short-term or long-term minority ownership of the Shoreline Surgery Center, LLC.
8. ASC indicates that, regardless of the introduction of additional investors or of any potential corporate reorganization of the Shoreline Surgery Center, LLC, ASC will maintain a minimum fifty-one percent (51%) ownership interest at all times and will maintain majority control of the governing board of Shoreline Surgery Center, LLC and any other related entity.
9. In order to facilitate minority investment by physicians and by a third-party manager, ASC indicates that it will reorganize the current investment structure of Shoreline Surgery Center, LLC, into two separate limited liability companies (“LLCs”).
10. The proposed agreement with a third-party manager will be subject to the ultimate authority and control of ASC and the full governance control will be maintained by the governing boards of each of the LLCs, and will not be delegated to the third-party manager. Any agreement with a third-party manager will provide for the following:
 - The manager will administer, manage and supervise the operation of the facility, on behalf of and subject to the control and authority of ASC;
 - A requirement that all surgical and endoscopy services be provided in accordance with the Hospital and ASC clinical policies, procedures and protocols, including quality assurance and credentialing requirements;
 - Regular reviews by ASC of the operations of the facility and management services provided by the manager;
 - Rights to audit the records of the manager with respect to the facility; and
 - Staffing subject to approval by ASC.

11. The Petitioners indicate that the proposal will allow the Yale-New Haven Network Corporation to accomplish the following:
 - Maximize the administrative and operational efficiency of the surgical and endoscopy services provided in the Shoreline Medical Center; and
 - Enable diversification of physician investment.
12. The proposal will not result in any change to the following elements:
 - The scope/type of surgical and endoscopic services provided;
 - The current population served;
 - The existing professional staff at the facility;
 - The location of the existing service site; or
 - Payers for these services.
13. The capital expenditure associated with the proposal is approximately \$575,000. The costs are necessary for renovation work to prepare the facility in meeting all of the regulatory requirements to be licensed as an outpatient surgical facility by the Connecticut Department of Public Health.

Based on the above findings, OHCA has determined that the proposed restructuring of the Shoreline Surgery Center, LLC in Guilford, Connecticut by Yale-New Haven Hospital and Yale-New Haven Ambulatory Services Corporation will not result in a change in the control of the Shoreline Surgery Center, LLC, nor will it result in a change to the delivery of health care services provided within the Yale-New Haven Network Corporation. Additionally, the capital expenditure associated with the proposal is \$575,000. Therefore, a Certificate of Need is not required pursuant to Sections 19a-638 and 19a-639 of the Connecticut General Statutes.

Thank you for providing information to OHCA regarding this proposal. If you have any questions concerning this letter, please contact Jack A. Huber, Health Care Analyst. He may be reached at (860) 418-7034.

Sincerely,

Signed by Commissioner Vogel on April 29, 2008

Cristine A. Vogel
Commissioner

cc: Rebecca A. Matthews, Esq.; Wiggin and Dana, LLP