1	STATE OF CONNECTICUT COPY
2	OFFICE OF HEALTH STRATEGY
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5	DOCKET NUMBER 22-32511-CON
6	APPLICATION FOR TERMINATION OF INPATIENT LABOR
7	AND DELIVERY SERVICES AT VASSAR HEALTH CONNECTICUT, INC. D/B/A SHARON HOSPITAL
8	**VIA ZOOM**
9	VIA 200M
10	Oral Argument on Proposed Final Decision held
11	via Zoom, on Wednesday, November 8, 2023, beginning at 9:08 a.m.
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13	Held Before:
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15	DEIDRE SPELLISCY GIFFORD, MD, MPH, Executive Director, Office of Health Strategy, Senior Advisor to the Governor for Health and
16	Human Services
17	ANTHONY A. CASAGRANDE, ESQ., OHS General Counsel
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	Reporter: Lisa L. Warner, CSR #061

1	Appearances:
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3	For Applicant, Vassar Health Connecticut,
4	Inc. d/b/a Sharon Hospital:
5	ROBINSON & COLE
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10	LISA BOYLE, ESQ. CONOR DUFFY, ESQ.
11	CONOR DUFFI, EDQ.
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(Commenced at 9:08 a.m.)

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MS. GIFFORD: This hearing is being convened for the limited purpose of hearing oral argument in Docket Number 22-32511-CON. The Applicant in this matter Vassar Health Connecticut, Inc., doing business as Sharon Hospital, seeks to terminate inpatient labor and delivery services.

On August 28, 2023, the hearing officer in this matter issued a proposed final decision denying the application.

On October 18, 2023, the Applicant filed a brief in opposition and written exceptions to the proposed final decision after an extension and requested an opportunity to present oral argument.

On September 29, 2023, the Office of Health Strategy issued a Notice of Oral Argument for today. This hearing before the Office of Health Strategy is being held on November 8, 2023.

<sup>21</sup> My name is Deidre Spelliscy Gifford, <sup>22</sup> and I'm the executive director of the Office of <sup>23</sup> Health Strategy. I will be issuing the final <sup>24</sup> decision in this matter. Also present on behalf <sup>25</sup> of the agency is OHS General Counsel Anthony

Casagrande.

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OHS is holding this public hearing remotely by means of electronic equipment. Any person who participates orally in an electronic meeting shall make a good faith effort to state his or her name and title at the outset of each occasion that such person participates orally during an uninterrupted dialogue or series of questions and answers. We ask that all members of the public mute the device that they are using to access the hearing and silence any additional devices that are around them.

This hearing concerns only the Applicant's oral argument regarding its brief and exceptions to the proposed final decision, and it will be conducted under the provisions of Chapter 54 of the Connecticut General Statutes.

The Certificate of Need process is a regulatory process, and as such the highest level of respect will be accorded to the applicant and our staff. Our priority is the integrity and transparency of this process. Accordingly, decorum must be maintained by all present during these proceedings.

This hearing is being transcribed and

recorded, and the video will also be made available on the OHS website and its YouTube account. All documents related to this hearing that have been or will be submitted to the Office of Health Strategy are available for review through our electronic Certificate of Need Portal which is accessible on the OHS CON webpage.

Although this hearing is open to the public, only the applicant and its representatives and OHS and its representatives will be allowed to make comments. Accordingly, the chat feature of the Zoom call has been disabled.

As this hearing is being held virtually, we ask that anyone speaking, to the extent possible, enable the use of video cameras when speaking during the proceedings. In addition, anyone who is not speaking shall mute their electronic devices, including telephones, televisions and other devices not being used to access the hearing.

Lastly, as Zoom notified you while entering this meeting, I wish to point out that by appearing on camera in this virtual hearing you are consenting to being filmed. If you wish to revoke your consent, please do so at this time.

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However, please be advised that in such event the hearing will be continued to a later date.

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We will now proceed. Counsel for the Applicant, could you please identify yourself for the record and any other individuals that will be speaking this morning.

MR. TUCCI: Yes. Good morning, Dr. Gifford. This is Ted Tucci from Robinson & Cole. And I'm joined this morning by my partner Lisa Boyle and my partner Conor Duffy. I will be principally speaking this morning. And in addition, we have some slides to assist in our presentation this morning. With your permission, we'd like to be able to bring those up.

MS. GIFFORD: Of course. All right. So before we begin, are there any other housekeeping matters or procedural issues that we need to address?

MR. CASAGRANDE: Counsel, would you please represent and verify on the record that the slide presentation is solely based upon matters that are within the record of this matter.

MR. TUCCI: Yes, Mr. Casagrande. Thank
you for reminding us of that. I do so affirm.
MR. CASAGRANDE: Thank you.

MS. GIFFORD: All right. You can begin whenever you are ready.

MR. TUCCI: Thank you. Good morning, Dr. Gifford and members of OHS staff. My name is Ted Tucci. Together with Lisa Boyle and Conor Duffy, we represent Sharon Hospital in CON Docket Number 22-32511, which is pending before you.

Because this matter is so vital to Sharon Hospital, we're also joined this morning by a number of members of the hospital senior leadership team, including Dr. John Murphy, the president and CEO of Nuvance Health, and Christina McCulloch, president of Sharon Hospital.

We're here today to talk with you about a multitude of reasons why the proposed decision against closure of Sharon Hospital's labor and delivery unit cannot be allowed to stand. In our discussion this morning we'll demonstrate that there's an overwhelming basis to conclude that refusing to close the L&D unit is both wrong on the facts and incorrect on the law. But the proposed decision isn't just technically wrong, it's also a seriously flawed health care policy choice for Connecticut. This decision threatens Sharon Hospital's ability to continue delivering

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care to Northwestern Connecticut.

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Our hope is that the evidence that we will present to you today will persuade you that it doesn't make sense to force Sharon Hospital to continue operating an underutilized labor and delivery service that loses millions of dollars annually, especially when there are five other area hospitals that can easily absorb Sharon Hospital's minimal volume. That outcome is a bad one for Connecticut health care consumers. Our goal in administering health care in Connecticut should be to have a health care system that promotes delivery of care where there is no duplication in efficiency and where health care costs are contained.

16 It's not an exaggeration to say that 17 the future of Sharon Hospital hinges on approval 18 of this CON application. Connecticut small 19 hospitals are in crisis. Sharon Hospital has a 20 transformation plan to address that crisis. Our 21 plan is to become a vibrant community health care 22 resource. A critical piece of that plan is 23 recognizing that high cost service lines like 24 labor and delivery can't continue, especially 25 where patients are already choosing hospitals with

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facilities that Sharon will never be able to match, like hospitals that have NICUs.

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The proposed decision has four major flaws. First, it both violates and at the same time misapplies CON statutory guidelines.

Second, it violates the legal standards required for sound agency decisions.

Third, review of the reliable record evidence also only supports one conclusion, and that conclusion is that the CON should be approved.

Fourth, when you look at the reasons in the proposed decision for refusing to close the L&D unit, those reasons are arbitrary and unreasonable.

Add to that the fact that Sharon Hospital is losing tens of millions of dollars annually, and it's inescapable that the status quo can continue, and that closing the L&D unit is absolutely necessary.

Now I'm going to summarize the four
serious flaws that we just identified, and then
we'll discuss them in detail as we go through our
presentation this morning. First, the decision
violated and misapplies OHS's CON guidelines. As

you know, there are a dozen or so guidelines in the statute, but OHS recognizes that when you boil it all down CON determinations involve three main factors, need, access to quality care and cost effectiveness. When you have a proposed decision like the one here that refuses to apply relevant CON factors or applies them in a way that makes them impossible to satisfy, that is the definition of error.

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Second, CON decisions have to adhere to minimal legal standards. Of course, OHS has discretion to apply its judgment and its expertise to the CON guidelines, but OHS doesn't have discretion to reach conclusions that aren't backed up by substantial and reliable facts, and OHS doesn't have discretion to make conclusions that defy rational explanation. We'll discuss multiple examples of these legal errors in our presentation this morning.

Third, a remarkable thing about the decision is that its findings of fact as a whole, when you look at them, support the conclusion that it makes sense to discontinue the L&D service. This is a service where volume has been flat and declining for years. There's no reasonable hope, based on demographics and projections, that it can ever be turned around. This is a service where people have multiple alternate options nearby. The hearing officer recognized all of those facts but decided it wasn't necessary to discontinue the service.

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Logically that leaves you to wonder how we could get to that result. And this brings up the fourth category of clear error. When you look critically at the conclusions that were reached, they are clearly erroneous. The proposed decision disregards or tries to explain away unrefuted facts that we presented during the hearing that show staffing struggles, huge deficits and ample capacity at nearby hospitals. We'll start by looking at how the decision violates the first category error that we identified which is at the essence of the CON process, and that's the guidelines that OHS applies.

Here's how the refusal to allow the L&D Here's how the refusal to allow the L&D unit closure violated the CON guidelines. The CON Guidebook makes it clear that the goal of CON review is to balance the public's need for access to quality care but also minimize unnecessary duplication of services. And this is what helps

to promote cost effectiveness in the delivery of health care in our state. Where there is a chronically low demand hospital service and the same services are reasonably accessible nearby, a duplicative service shouldn't continue because of hypothetical concerns about weather or concerns about emergencies that may never happen or hope that volume might bounce back some day, and that's exactly what happened here. Duplication, efficiency, demand, cost and reasonable access were all ignored in favor of speculation that some unknown number of people theoretically might face challenges traveling to a different hospital.

Now let's talk about certain guidelines that were analyzed in the decision and that were misapplied. It goes without saying that evaluating need for L&D services at Sharon Hospital requires OHS to analyze whether termination is in the public interest. You can't determine whether ending labor and delivery services serves public interest if you don't analyze whether there's a continuing need and you don't consider whether closure would substantially affect the population served. Here the proposed decision concluded that neither of those factors

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mattered, and that's clearly wrong.

Everyone would agree that OHS shouldn't interpret CON guidelines standards so as to make it impossible to satisfy them. Here at least two conclusions fall into the literal impossibility category. The first involves Section 14a-639a-6. The second involves Section 19a-639a-11. Sharon Hospital has an underutilized and money losing labor and delivery service. Refusing this CON because it changes the way services are provided or because there would be one less provider is simply wrong. The point of closing the L&D unit is it will be a positive change. It eliminates a service that can't sustain itself. Applying the factors this way, as OHS did, makes it impossible for a hospital to essentially ever close a service.

Focusing on the second category of error. We respectfully submit to you that this decision violates the legal standards that OHS follows in deciding contested cases. The law gives OHS discretion to apply its expertise and to make reasonable judgments based on data and information that's presented during the hearing process, but the law doesn't give OHS discretion

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to make decisions that are arbitrary, that are contradictory or that aren't supported by evidence that is reliable, that is credible and that is relevant. It's not appropriate for OHS to rely on speculation or guesswork in granting or denying a CON, but that is exactly what happened here. The next slide we're going to look at focuses on how this decision depends on and relies on speculation.

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According to the decision, eliminating birthing services at Sharon Hospital would "negatively affect minority races and ethnicities in the service area at a disproportionately higher rate." Here's the problem. There isn't a shred of reliable record evidence that supports that conclusion. We know this because five other area hospitals will still provide birthing services after the Sharon Hospital unit closes. And again, there isn't a single fact to show that minority patients are less able than anybody else to get to those nearby hospitals.

OHS, in considering CON applications,
makes determinations about quality, accessibility
and cost effectiveness, and of course those
decisions have to be support by substantial

evidence. We're going to talk about some examples this morning where the proposed decision failed to do just that, failed to rely on or identify substantial evidence.

First, there's no rational basis to say that quality in birthing services at five different hospitals in Connecticut or in the adjoining area is worse than Sharon Hospital just because they have fewer stars in a CMS survey.

Second, it's pure speculation to say that the same patients who went to Sharon Hospital for maternity services won't be able to travel to other hospitals because they might not have a car. Virtually all patients that come to Sharon Hospital today do so by car. There is no reason to believe that they won't be able to drive to other hospitals.

Third, the decision says that closing the L&D unit would not be cost effective because Sharon Hospital has low commercial reimbursement rates. This is a disconnect that speaks for itself. Sharon Hospital's reimbursement rate for L&D services is an apple. What it costs Sharon Hospital to provide that service is an orange. The two are simply not the same thing. This

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decision concludes that it's cost effective for Sharon Hospital to get paid tens of thousands of dollars less than it actually costs the hospital to provide the service.

The next category we'd like to talk about is the review of findings of fact. All of these findings of fact come from the proposed decision, and taken together what they show is that there's no good reason to force Sharon Hospital to continue providing a duplicative service that's characterized by low demand, that causes multi-million-dollar deficits and where there are other hospitals nearby that are readily available to provide the service.

Here's what we know about. Here are the facts. Here's what we know about Sharon Hospital's PSA. It's a collection of small towns. These towns are predominantly socially and economically homogenous. The population mix is overwhelmingly white. The average household income exceeds \$100,000. 95 percent of the people who live in the service area have insurance. In spite of all those facts, the proposed decision speculates that some portion of the minority population in the PSA will be adversely affected.

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The problem is the data showed that the Black population in the primary service area is 2.9 percent, four times less than the national average.

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Here's what we also know. Sharon Hospital does not have a NICU. And without an intensive care unit for newborns, patients in the high-risk pregnancy category have already chosen to go to other hospitals. Problematically, this is the only patient segment in a depressed demand area where there actually is an increase in demand.

Historical volume and demand trends are basically flat to declining, and it's been that way for ten years. Outmigration in the Sharon PSA has increased because of the NICU issue that we just discussed. Despite all that, the hearing officer speculated that demand for birthing services might bounce back in the future, but the numbers don't lie. And the next slide demonstrates this.

Just how bad is it at Sharon Hospital? Here are the facts. If you go to the labor and delivery unit on any given day, your chances of seeing it completely empty are 50 percent. For

the last three years, Sharon Hospital has paid to fully staff the labor and delivery unit with nurses, OBGYNs and a surgical team at the ready 24 hours a day, 7 days a week, 365 days a year, all so that two babies a week on average could be delivered.

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Because the unit is empty half the time, it makes sense that Sharon Hospital hasn't been able to staff it without incurring extraordinary costs for temporary staff. And despite recruitment efforts, there just isn't enough demand to keep new OBGYNs in the area. And the reason for this really isn't a mystery. Doctors and nurses don't want to work in a service that is empty half the time.

The facts are clear that other hospitals are reasonably close and have more than ample capacity to absorb Sharon Hospital's volume. We know this is in dispute -- we know that this fact isn't in dispute because the hearing officer reached the very same conclusion.

This next slide shouldn't be a
surprise. Multi-million-dollar deficits happen
when you have a resource intensive service like
labor and delivery that is in low demand. Sharon

Hospital spends \$5 million a year running the labor and delivery unit and it collects \$2 million annually. That just has to stop. Financial feasibility is not in question here. The hearing officer recognized this. You see at the bottom of the slide that eliminating a \$3 million annual loss caused by labor and delivery makes financial sense.

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So all of this begs the question of how the decision could reach conclusions that are the opposite of what the facts show. And the answer is that those conclusions are clearly erroneous and/or arbitrary. And these clearly erroneous conclusions go to the heart of what a CON is all about which we've discussed. CONs should be about need, about assessing quality and access and about balancing cost effectiveness. The next group of slides that we're going to go through which are supported by record cites detail every erroneous conclusion concerning need, access, quality and cost.

As we said in the beginning, a full set
of these slides will be submitted to you, Dr.
Gifford, for your consideration after the
presentation, but for this morning we're just

going to highlight a few of the examples.

So for need it's clear error to find that declining volume and aging demographic for the very population served by the labor and delivery unit doesn't justify terminating that service. And the lack of need can't be explained away by speculating about whether Sharon Hospital did enough marketing or by saying that there should be "a study" to prove what the data already showed. We know from the data that 50 percent of the labor and delivery patients in the service area already go to other hospitals now. That's the reality of today. And the reason is most of those hospitals have NICUS.

The practical definition of what arbitrary and capricious means is that when you have a decision that finds facts showing declining volume and underutilization but you conclude that the service has to continue even though you acknowledge lack of need, it's hard to explain how that could be a reasonable decision.

And the map tells the story. This shows that most of the Sharon Hospital's existing volume comes from patients that can easily go to closer hospitals.

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I have to emphasize this point because I think it is a remarkable thing for it to have been said in a proposed decision from OHS. Let me say it as simply as I can. There's just no basis to say that Charlotte Hungerford, Danbury or other area hospitals provide inferior birthing services, and that is exactly what was concluded in the proposed decision. Also, the rural labor and delivery closure theory that was advanced in the proposed decision can only be called a red herring. A decision that relies on maternal health studies involving hospitals that are 125 miles away simply doesn't reflect the reality of the situation in Litchfield County.

15 It's also error to point to concerns of 16 possible emergency deliveries at Sharon Hospital 17 if the labor and delivery unit ceases operation. 18 We know this because history and common sense 19 tells us that it's not likely to occur. New 20 Milford Hospital closed its labor and delivery 21 unit ten years ago. In the last ten years since 22 New Milford closed there has never been, not a 23 single time, an emergency birth at New Milford 24 Hospital. And the reason is because OBGYNs work with their patients months in advance to help them

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choose a hospital where they will go for delivery. OBGYNs will not direct patients to Sharon once the L&D service is no longer available.

We know that access to labor and delivery services won't be reduced if the Sharon unit closes. And also, there's no reason for concern about transportation barriers because most people in the area have private transportation and are close to other hospitals, as we've already shown. And here's further evidence of that. Five other hospitals offering labor and delivery are within one hour from Sharon. And the hearing officer confirmed that those hospitals have ample capacity. Again, it's not persuasive to rely on studies about health care access that talk about what the situation is in rural Wyoming.

It's also misplaced to deny the CON because of speculative weather concerns or concerns about lack of transportation. The existing situation today is that half the patients in Sharon Hospital's PSA already choose to drive to other hospitals for L&D services. A large percentage of Sharon's historical patient census live closer to other hospitals. Despite that, the proposed decision speculated that PSA residents,

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"often do not have their own vehicle," but the problem is there isn't a single fact in the record to support that claim.

And we already know that the total number of maternity beds at these five area hospitals well exceeds their past and even their future projected average daily census, so there's no concern about capacity or availability here.

The proposed decision's conclusions concerning impact on minorities I have to say is especially troubling, and that's because these conclusions rest completely on speculation and gross generalizations. For example, there's no data to support speculation that "people of color" in the PSA are more likely to be poor, and there's no data about how many of the 42,000 PSA residents in this rural area don't have cars.

The proposed decision goes on to speculate that it might be more costly for Medicaid patients to get to other hospitals because, again, maybe they don't have cars. But we know this is a rural area, and we know that people couldn't function in this area without access to a car. And we also know that most patients who already come to Sharon Hospital do so

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by car. People are not arriving at Sharon Hospital by taxi now, and there's no facts to support a notion that all of a sudden, if the labor and delivery service terminates, people will suddenly have to hire taxis to go to other hospitals.

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Finally, the proposed decision tries to minimize the undisputed \$3 million annual loss caused by operation of the labor and delivery The decision says that this \$3 million unit. annual loss is "negligible." I guess that's true when compared to the nearly \$24, \$25 million deficits that the hospital is running. The decision says that labor and delivery staffing challenges hadn't been so bad that Sharon hospital was forced to close the labor and delivery unit. What that reasoning amounts to is OHS punishing the hospital for Herculean efforts to continue the labor and delivery service. What that reasoning amounts to is punishing Sharon Hospital for following the rules in asking for CON approval to terminate the service.

OHS's own data tells the financial story at Sharon Hospital. Sharon Hospital is at the very bottom of the operating margin chart.

Fixing the problem with annual deficits approaching \$25 million a year simply can't wait any longer. Eliminating the financial drain caused by the labor and delivery unit is essential to securing the hospital's future.

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I'm going to conclude where I started. Sharon Hospital is in crisis. The hospital has a plan to address that crisis. Transporting Sharon Hospital to become a local health care and wellness resource with lifesaving emergency services and care that keeps people healthy benefits everyone. This effort shouldn't be thwarted by hypothetical fears.

We're facing a situation where the future of another small hospital in Connecticut is in peril. Some people would like Sharon Hospital to stay the way it was 50 years ago, but the days of small community hospitals being what they once were are simply over. We don't live in a Leave it to Beaver world. The pace of change in medicine, technology and health care delivery doesn't give us the luxury of keeping the status quo.

We know that making a decision to discontinue a service is not easy, but the question is not whether the decision will be

popular. The question is this: Is closure a health care policy choice that would be better for all in the long run? Here the facts speak for themselves. The right policy choice is to end an underutilized expensive service that is bleeding red ink. The policy choice that best serves patients is to transform Sharon Hospital into a resource that delivers the right care in the right place at the right time.

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I thank you very much for your attention. I'm happy to address any questions you may have.

MS. GIFFORD: Thank you very much, Mr. Tucci. I don't have any questions. Your presentation was very clear. And so I think that if your team is done on your side, that concludes the proceedings for today. So thank you very much for your attendance, both to you and to the team from Sharon Hospital. And we will proceed to issue a final decision in accordance with Chapter 54 of the general statutes. Thank you very much. MR. TUCCI: Thank you, Dr. Gifford. We appreciate it.

(Whereupon, the above proceedings
concluded at 9:40 a.m.)

1	CERTIFICATE FOR REMOTE HEARING
2	STATE OF CONNECTICUT
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4	I, Lisa L. Warner, L.S.R. 061, a Notary
5	Public duly commissioned and qualified, do hereby certify that on November 8, 2023 at 9:08 a.m., the
6	foregoing remote Oral Argument on Proposed Final Decision for the OFFICE OF HEALTH STRATEGY IN RE: DOCKET NUMBER 22 22511 CON ADDITION FOR
7	DOCKET NUMBER 22-32511-CON, APPLICATION FOR TERMINATION OF INPATIENT LABOR AND DELIVERY SERVICES AT VASSAR HEALTH CONNECTICUT, INC. D/B/A
8	SHARON HOSPITAL, was reduced to writing under my direction by computer-aided transcription.
10	I further certify that I am neither attorney or counsel for, nor related to or employed by any
11	of the parties to the action in which these proceedings were taken, and further that I am not
12	a relative or employee of any attorney or counsel employed by the parties hereto or financially
13	interested in the action.
14	In witness whereof, I have hereunto set my hand this 13th day of November, 2023.
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17	Lisa Wallel
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19	Lisa L. Warner, CSR 061
20	Notary Public My commission expires:
21	May 31, 2028
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