

AGREED SETTLEMENT**IN THE MATTER OF:**

Applicants: Prospect ECHN, Inc.
71 Haynes Street
Manchester, CT 06040

Prospect Manchester Hospital, Inc.
71 Haynes Street
Manchester, CT 06040

Prospect Rockville Hospital, Inc.
31 Union Street
Vernon, CT 06066

Docket Number: 20-32405-CON

Project Titles: Increase in Licensed Bed Capacity (by Manchester Memorial Hospital) and Acquisition of Imaging Equipment (by Manchester Memorial Hospital) via Termination of Rockville General Hospital's License and Consolidation with Manchester Memorial Hospital

WHEREAS, Prospect ECHN, Inc. ("ECHN") is the parent corporation of Prospect Manchester Hospital, Inc. d/b/a Manchester Memorial Hospital ("MMH") and Prospect Rockville Hospital, Inc. d/b/a Rockville General Hospital ("RGH") (ECHN, MMH and RGH collectively the "Applicants");

WHEREAS, MMH, established in 1920, is a 249-bed, 34 bassinet acute care hospital located at 71 Haynes Street, Manchester, Connecticut ("CT");

WHEREAS, RGH, established in 1921, is a 102-bed, 16 bassinet acute care hospital located at 31 Union Street, Vernon, CT;

WHEREAS, on August 4, 5, and 6, 2020, the Applicants published notice of their intent to file a Certificate of Need ("CON") application in the Journal Inquirer (Manchester);

WHEREAS, on October 20, 2020, the Health Systems Planning Unit ("HSP") of the Office of Health Strategy ("OHS") received the CON application for the above-captioned project from the Applicants ("Application");

WHEREAS, the Application sought an increase in licensed bed capacity by MMH and the acquisition of RGH imaging equipment by MMH via consolidation of RGH's acute care hospital license with and into MMH's acute care hospital license and to operate as one licensed hospital with two campuses (the "Proposal");

WHEREAS, on March 31, 2021, the Application was deemed complete;

WHEREAS, on October 13, 2021, a public hearing regarding the Application was held;

WHEREAS, on January 5, 2022, the public hearing record was closed;

WHEREAS, on November 22, 2022, during the review period of the Application, Prospect CT, Inc. (“Prospect CT”)¹ and Yale New Haven Health Services Corporation (“Yale”) filed a CON application for the transfer of ownership of the assets of Prospect CT, which includes the assets of Prospect ECHN, along with certain other assets of Prospect Connecticut entities (Docket No. 22-32594-CON) (the “Yale/Prospect CON”);²

WHEREAS, the Yale/Prospect CON included the same request to consolidate the hospital licensure of RGH with and into MMH and operate as one licensed hospital with two campuses;

WHEREAS, on March 15, 2023, OHS issued a Proposed Final Decision on the Application;

WHEREAS, on April 4, 2023, the Applicants filed exceptions to the Proposed Final Decision, a brief, and a request for oral argument;

WHEREAS, on April 6, 2023, the Applicants filed a Motion for Stay of the proceedings until a resolution and/or disposition of the Yale/Prospect CON;

WHEREAS, on May 5, 2023, the motion for stay was granted by OHS (“Stay”);

WHEREAS, on March 27, 2024, Yale and Prospect CT signed an Agreed Settlement with OHS (“OHS Yale/Prospect Agreed Settlement”), which included OHS’s approval of the consolidation of the hospital licensure of RGH with and into MMH as part of the Yale/Prospect transaction;

WHEREAS, the Yale/Prospect transaction has not closed and litigation between the joint applicants in the Yale/Prospect CON commenced after signing of the OHS Yale/Prospect Agreed Settlement (“Yale/Prospect Litigation”);

WHEREAS, on August 2, 2024, OHS ordered that the Applicants show cause on why OHS should not vacate the Stay (“Order to Show Cause”);

WHEREAS, on August 15, 2024, the Applicants filed a response to the Order to Show Cause;

WHEREAS, on January 11, 2025, Prospect Medical Holdings, Inc. together with certain of its subsidiaries (inclusive of Prospect CT, Inc. and each of the Applicants), filed for Chapter 11 bankruptcy in the United States Bankruptcy Court for the Northern District of Texas (Case No. 25-80002) (“Bankruptcy Case”);

¹ Prospect CT is the parent company of Prospect ECHN, Inc.

² See, Docket No. 22-32594-CON.

WHEREAS, with respect to the pending Bankruptcy Case, it is necessary for the State of Connecticut to receive regular reporting regarding Prospect CT's subsidiaries'³ financial condition and patient censuses to ensure that, among other thing, this Agreed Settlement is complied with;

WHEREAS, on May 22, 2025, the Applicants moved OHS to lift the Stay, and supplement the Record;

WHEREAS, CON applications are decided on a case-by-case basis and do not lend themselves to general applicability due to the uniqueness of the facts in each case;

WHEREAS, OHS has determined that the evidence in the record supports the following with respect to the CON guidelines and principles set forth in C.G.S. § 19a-639(a):

1. C.G.S. § 19a-639(a)(1) is not applicable;
2. C.G.S. § 19a-639(a)(2) is not applicable;
3. C.G.S. § 19a-639(a)(3) is not applicable;
4. C.G.S. § 19a-639(a)(4) is met;
5. C.G.S. § 19a-639(a)(5) is not met;
6. C.G.S. § 19a-639(a)(6) is not met;
7. C.G.S. § 19a-639(a)(7) is not applicable;
8. C.G.S. § 19a-639(a)(8) is not met;
9. C.G.S. § 19a-639(a)(9) is not met;
10. C.G.S. § 19a-639(a)(10) is not applicable;
11. C.G.S. § 19a-639(a)(11) is not met; and
12. C.G.S. § 19a-639(a)(12) is met;

WHEREAS, the Applicants believe all guidelines and principles have been met and absent this Agreed Settlement, would reserve all rights to contest any adverse findings in connection with the Application;

WHEREAS, C.G.S. § 19a-638(a)(5) provides that a hospital's termination of inpatient and outpatient services requires CON approval and C.G.S. § 19a-653 authorizes OHS to impose civil penalties when it determines that certain actions have been taken without CON approval;

WHEREAS, from March 2020 to today, certain hospital inpatient and outpatient services have been closed at RGH at various times;

WHEREAS, OHS asserts that at no point did RGH have the necessary CON approvals to terminate such inpatient and outpatient services from March 2020 to today aside from a limited closure of certain enumerated services during the COVID-19 global pandemic, as authorized in the CON waiver in Docket No. 20-32361-CONW;

³ Including, but not limited to, data from Prospect Waterbury Hospital, Inc.

WHEREAS, the Applicants dispute the necessity of such CON approvals and contend that at all times they sought to keep the state informed of service closures and to resolve all service terminations through various CON dockets;

WHEREAS, on June 7, 2023, OHS waived imposition of a Civil Penalty issued by OHS to RGH on February 16, 2022 relating to alleged termination of certain limited services at RGH outside of those at issue in this Agreed Settlement;

WHEREAS, the Applicants and OHS (the “Parties”) desire to fully resolve the CON and Inquiry matters, as well as any civil penalty alleged, asserted, due, owed, or payable relating thereto, without further proceedings;

WHEREAS, the Applicants, in consideration of this Agreed Settlement, have chosen to forego further proceedings in the relevant existing dockets;

WHEREAS, this Agreed Settlement is a revocable offer of settlement that may be modified by mutual agreement of all the Parties and/or withdrawn at any time prior to its being signed by the Applicants and the OHS Commissioner.

NOW, THEREFORE, the Parties hereby stipulate and agree to the following:

1. The Applicants’ Proposal is approved under C.G.S. § 19a-639(a) subject to these enumerated conditions.
2. The Applicants are approved to seek consolidation of the MMH and RGH hospital licenses from the Department of Public Health (“DPH”) subject to the conditions in this Agreed Settlement. The Applicants shall provide notification to OHS of the date on which the MMH and RGH hospital licenses are combined under a single license (“Consolidation Date”). The Applicants shall provide such notification within thirty (30) days of the Consolidation Date and shall include a copy of the new license as issued by DPH.
3. For a period of three (3) years following the Consolidation Date, the Applicants shall provide notification to OHS of any decision to reallocate inpatient beds or relocate outpatient services, other than those services identified and noticed as terminated in Condition 5, between campuses, provided that during the three (3) year period, the RGH campus shall maintain a 24/7 Emergency Department and the Applicants shall maintain the full complement of inpatient behavioral health services currently being provided at the RGH campus regardless of the license under which such services are currently being provided (either the RGH or MMH license). This mandate includes, but is not limited to, any inpatient behavioral health services offered at either hospital pursuant to time-limited waivers provided by DPH. The inpatient behavioral health services may be relocated within thirty (30) miles of the RGH campus provided the full complement is sustained, subject to any approvals by DPH that may be required by law or regulation. Such notification shall include an effective date of any reallocation or relocation, along with a detailed explanation for the same. The Applicants must provide such notification no later than thirty (30) days before any reallocation or relocation.

4. Applicants will clearly indicate to all potential bidders in the Bankruptcy Case that the State expects: (i) any potential purchaser of MMH/RGH to provide a strategic plan for the future of the RGH campus to OHS and DPH in the CON and licensure applications to purchase MMH; (ii) the ultimate purchaser to assume all responsibilities under this Agreed Settlement; and (iii) that the ultimate purchaser maintain the Emergency Department at the RGH campus and the complement of inpatient behavioral health services currently being provided at the RGH campus within thirty (30) miles of the RGH campus.
5. With respect to the RGH campus, the Applicants shall do the following:
 - a. Within ten (10) days of the Consolidation Date: (i) publish notice of the termination of any services that were formerly offered at the RGH campus as of January 1, 2020 (A) in a newspaper having a substantial circulation in the primary service area ("PSA"), and (B) on RGH's Internet web site in a clear and conspicuous location that is easily accessible by members of the public; (ii) request the publication of notice (A) in at least two sites within the affected community that are commonly accessed by the public, such as a town hall or library, and (B) on any existing Internet web site of the municipality or local health department; and (iii) submit such notice to HSP for posting on HSP's Internet web site.
 - b. Within thirty (30) days of the Consolidation Date, submit a proposed interim Strategic Plan for services on the RGH campus, and publish said proposed interim plan on the MMH/RGH Internet web site(s) in a clear and conspicuous location that is easily accessible by members of the public.
 - c. Within sixty (60) days of the Consolidation Date, hold a community forum hosted both in-person and on a virtual platform, regarding the proposed interim Strategic Plan. MMH/RGH shall provide ample opportunity for members of the public to comment on the proposed interim Strategic Plan. Notice of this community forum shall be posted in the same manner as described above in (a) above and shall be posted no later than thirty (30) days following the Consolidation Date. Prospect CT and ECHN shall conduct the community forum required in this subsection regardless of whether the hospitals have been sold prior to the deadline for completing this subsection.
 - d. Within one hundred eighty (180) days of the Consolidation Date, MMH/RGH shall issue a final Strategic Plan, which takes into account the community feedback received in connection with the community forum. The interim Strategic Plan shall be provided in a format consistent with and include the same information (with exception of hours of operation) as the one provided in the responses to Question 4.b.i. and ii. on pages Bates numbered 132-139 of Exhibit A (CON Application) of Docket No. 22-32594.
 - e. In the event of a purchase through the Bankruptcy Court in this case, the purchaser shall complete the provisions of this condition on the following schedule, provided

that the purchaser may request an extension no less than fifteen (15) days prior to any stated deadline:

- i. Part (a), if not completed prior to purchase, within thirty (30) days of closing the transaction;
 - ii. Part (b) shall be included in any potential purchaser's CON or Emergency CON application; and
 - iii. Part (c) within one hundred eighty (180) days of closing the transaction; and
 - iv. part (d) within one (1) year of closing the transaction.
6. To resolve Docket No. 24-32755-INQ and any civil penalty alleged, asserted, due, owed, or payable relating thereto, CT shall have the following claims, which the Applicants shall not object to in the Bankruptcy Case (and which the Parties will negotiate in good faith as to the process for obtaining approval of in the Bankruptcy Case): claims for civil penalties⁴ for alleged violations of C.G.S. § 19a-638(a)(5) in the amount of \$300,000 as a general unsecured claim, relating to the alleged termination of certain hospital inpatient and outpatient services since March of 2020. If this Agreed Settlement is not consummated or is otherwise breached, CT reserves all rights to impose civil penalties in amounts in excess of those identified in this paragraph (including as administrative expense claims).
7. The Applicants will abide by all statutory and regulatory requirements, including responding to requests from the State for financial data, census data and related other information.
8. This Agreed Settlement fully and completely resolves the CON application bearing Docket No. 20-32405-CON, the inquiry bearing Docket No. 24-32755-INQ, and any civil penalty alleged, asserted, due, owed, or payable relating thereto, without any further proceedings.
9. Nothing in this agreed settlement shall be construed to affect DPH determinations regarding the issuance of any license, the continuation of any existing waivers currently held by either RGH or MMH, or the authorization to operate a satellite hospital either by RGH or MMH.
10. This Agreed Settlement embodies the full and entire agreement between the Parties with respect to the subject matters involved herein. All previous communications and agreements, written or oral, between the Parties with regard to the subject matters of this Agreed Settlement, are superseded unless expressly incorporated herein or made a part hereof. Each term of this Agreed Settlement is integral to the overall agreement and is non-severable and mutually dependent. If any provision of this Agreed Settlement is held or made invalid by a court decision, rule or statute, or is otherwise rendered invalid, the remainder of this Agreed Settlement shall not be affected thereby.
11. This Agreed Settlement may be considered as evidence in any subsequent proceeding or determination before OHS in which (1) the Applicants' compliance with this Agreed

⁴ See OHS's civil penalty statute at C.G.S. § 19a-653.

Settlement and/or any related Agreed Settlement is at issue, or (2) the Applicants' compliance with any state statute and/or regulation is at issue.

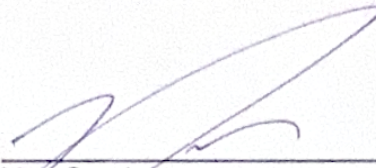
12. The Applicants waive any right they may have to further hearing and/or appeal on the merits of these matters.
13. This Agreed Settlement and terms set forth herein are not subject to reconsideration, collateral attack, or judicial review under any form or in any forum, including any right of review under the Uniform Administrative Procedure Act, Chapter 368z of the Connecticut General Statutes, or Regulations that exist at the time the Agreed Settlement is executed, provided that this stipulation shall not deprive the Applicants of any other rights that it may have under the laws of the State of Connecticut or of the United States. The Applicants waive any right to seek reconsideration of this Agreed Settlement pursuant to C.G.S. § 4-181a without the express consent and agreement of OHS.
14. This Agreed Settlement is a matter of public record and will be reported in accordance with state and federal laws and/or regulations and OHS policy. This Agreed Settlement may be posted on OHS's website including, but not limited to, the electronic CON portal and/or any successor thereto.
15. Any extension of time, grace period, and/or modification granted by OHS in its discretion for any condition of this Agreed Settlement shall not constitute a waiver or preclude OHS's right to take action at a later time. OHS shall not be required to grant future extensions of time, grace periods, and/or modifications.
16. All references to days in these conditions shall mean calendar days and OHS shall mean the Office of Health Strategy or its successor.
17. This Agreed Settlement represents a final agreement between OHS and the Applicants with respect to OHS Docket No. 20-32405-CON, Docket No. 24-32755-INQ and any civil penalty alleged, asserted, due, owed, or payable relating thereto. The execution of this Agreed Settlement resolves all objections, claims, and disputes, which were either raised or could have been raised by the Applicants or OHS under Docket No. 20-32405-CON, Docket No. 24-32755-INQ or any civil penalty alleged, asserted, due, owed, or payable relating thereto.
18. Legal notice of any action shall be deemed sufficient if sent to the Applicants' last addresses of record, as reported by the Applicants to OHS in OHS Docket No. 20-32405-CON.
19. This Agreed Settlement is effective upon the signature of the OHS Commissioner or her designee, at which time it shall become final and an Order of the OHS Commissioner with all the rights and obligations attendant thereto. OHS may enforce this Agreed Settlement pursuant to the provisions of C.G.S. §§ 19a-642 and 19a-653 if the Applicants or their successors and assigns, as applicable, fail to comply with its terms.

20. This Agreed Settlement shall be binding upon and enforceable against the Applicants and all successors and assigns of the Applicants, including any third-party buyers of the Applicants' assets.
21. The Parties have each had the opportunity to consult with an attorney prior to signing this Agreed Settlement.
22. Mr. Von Crockett represents that he is authorized to sign this Agreed Settlement on behalf of the Applicants Prospect ECHN, Inc., Prospect Manchester Hospital, Inc., and Prospect Rockville Hospital, Inc., and to bind them to the applicable terms and conditions contained in this Agreed Settlement.

SIGNATURE PAGE IMMEDIATELY FOLLOWING

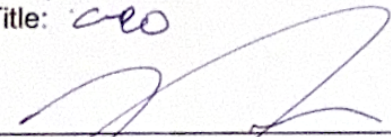
IN WITNESS WHEREOF, the Parties hereto, which have caused this Agreed Settlement to be executed by their respective officers and officials, declare the execution of this Agreed Settlement to be their free act and deed.

5.23.25
Date



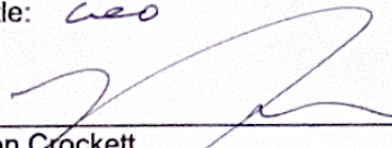
Von Crockett
Authorized Agent for
Prospect ECHN, Inc.
Title: CEO

5.23.25
Date



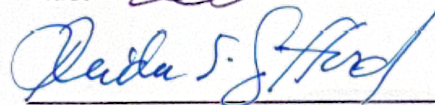
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Authorized Agent for
Prospect Manchester Hospital, Inc.
Title: CEO

5.23.25
Date



Von Crockett
Authorized Agent for
Prospect Rockville Hospital, Inc.
Title: CEO

May 23, 2025
Date



Deidre S. Gifford, MD, MPH
Commissioner
Office of Health Strategy