

**Department of Health and Human Services
Division of Licensing and Regulatory Services
State House, Augusta, Maine
Preliminary Analysis**

Date: July 13, 2012

Project: Henrietta D. Goodall Hospital Inc. to become a member of
MaineHealth

Proposal by: MaineHealth

Prepared for: Phyllis Powell, Assistant Director, Medical Facilities Unit

Prepared by: Larry Carbonneau, Senior Healthcare Financial Analyst

Directly Affected Party: No Registered Parties

CON Recommendation: Approval with conditions

	Proposed Per Applicant	Approved CON
Estimated Capital Expenditure	\$ 75,320,659	\$ 75,320,659
Maximum Contingency	\$ 0	\$ 0
Total Capital Expenditure with Contingency	\$ 75,320,659	\$ 75,320,659
Third Year Incremental Operating Cost Savings	\$ 1,285,168	\$ 1,285,168

I. Abstract

A. From Applicant

i. CON From Applicant

“MaineHealth is a non-profit healthcare corporation that is the parent of several hospitals, nursing facilities, physician practices and other health care related entities located throughout southern, western and central Maine. MaineHealth also has strategic affiliation agreements with other local health systems within the same area. MaineHealth is the largest integrated healthcare delivery system in Maine. MaineHealth’s administrative offices are located in Portland, Maine. MaineHealth is organized and operated as a non-profit healthcare corporation in Sec 501 (c) (3) of the Internal Revenue Code.”

“Henrietta D Goodall Hospital Inc. (HDGH), located in Sanford, Maine, is also organized and operated as a non-profit health care corporation under Sec. 501(c) (3) of the Internal Revenue Code. HDGH has a commitment to certain communities in western and central York County to provide health care services within the Community and to maximize community access by providing cost effective options for health care services.”

“HDGH will be maintained as a healthcare organization in its current form. Responsibility for the day-to-day operational control of HDGH will reside with HDGH, subject to ultimate oversight by MaineHealth. All property of HDGH pre-closing will remain the property of HDGH post-closing. HDGH will retain its tax-exempt charitable status. Endowment funds of HDGH, including funds held in trust or otherwise for the benefit of HDGH or its subsidiaries will remain assets of HDGH.”

“As a member of MaineHealth, HDGH will participate in the development and implementation of MaineHealth-initiated and sponsored health status improvement, clinical integration, and quality improvement initiatives.”

“HDGH will also have access to shared administrative resources of the MaineHealth system, including purchasing, legal services, financial services, strategic planning, program development, information services and human resource management. HDGH will also participate in MaineHealth’s health benefit and workers’ compensation plans, and certain insurance coverage. In anticipation of acquiring control of HDGH, MaineHealth is establishing a subsidiary holding company (Referred to as “XYZ Parent” until the name is finalized.) to oversee Southern Maine Medical Center. When HDGH becomes a member of MaineHealth, XYZ Parent would also oversee HDGH.”

“The H.D. Goodall Hospital, Inc. (HDGH) Board of Trustees proposes to amend the HDGH Articles of Incorporation and Bylaws so that XYZ Parent will become its sole corporate member thereby making HDGH a member of MaineHealth. The scheduled effective date is July 1, 2012, subject to gaining all required consents and authorizations.”

“Is Economically Feasible – HDGH becoming a part of MaineHealth involves no capital expenditure by MaineHealth or HDGH requiring a certificate of need. HDGH, MaineHealth, the State of Maine or the health care delivery system in Maine will not incur any increase in operating expenses as a result of this change in ownership. MaineHealth, as evidenced by its Standard and Poors AA- credit rating and its financial statements, has the financial capability to support this transaction.”

“Meets a Public Need – Based on an extensive review and analysis, HDGH’s Board of Trustees, Management and Medical Staff determined that it could best meet its mission of providing high quality health care and improving the health of the communities it serves if it became part of a larger health system. It selected MaineHealth as the organization that best shares HDGH’s not for profit values and its vision that health care is best delivered as locally as possible. HDGH will secure significant clinical and economic benefits from MaineHealth, strengthening its ability to serve its communities.”

“Membership has the potential to positively impact the health status of the community and the quality of care. MaineHealth has developed and implemented the most comprehensive array of initiatives focused on population based health and prevention of disease of any organization in Maine and has committed to continue redirecting its resources to these initiatives.”

“Is Consistent with Orderly and Economic Development – Creating the opportunity for HDGH to join MaineHealth, (enabling it to take maximum advantage of the benefits described in this application to control costs, to improve quality and to expand opportunities for collaborative efforts) is consistent with the orderly and economic development of the healthcare delivery system.”

“HDGH has taken advantage of opportunities for collaboration with MaineHealth and its members to lower costs and increase efficiency and quality (e.g., Cancer Care Center of York County). Membership will ensure HDGH’s access to these initiatives and will further expand opportunities for collaboration in clinical services planning and delivery. The change in ownership should not have any impact on regional and statewide health insurance premiums.”

“MaineHealth’s commitment to electronic information systems is extensive, including an ambulatory electronic record, a PACs system for imaging, an electronic ICU monitoring system and its support of Health InfoNet.”

“Outcomes and Community Impact – The change in ownership will not negatively affect the quality of care at existing providers, and will not negatively impact HDGH’s existing services. HDGH’s finances should improve through cost reductions resulting from HDGH’s access to MaineHealth’s clinical and administrative integration initiatives.”

“MaineHealth’s support and expertise will create additional opportunities for HDGH to improve the quality of care it provides and improve the health of its communities.”

“Service Utilization – Utilization of health care services by residents of the HDGH service area is not affected except to the extent that HDGH’s implementation of MaineHealth’s health status improvement and clinical integration initiatives may reduce utilization in the long term.”

“HDGH joining MaineHealth will have no adverse impact on the utilization of services by residents of the service area.”

“XYZ Parent shall have the power to elect members of the HDGH Board of Trustees; to amend HDGH Articles of Incorporation; and to exercise such other powers as may be conferred on the Member by law, the Articles of Incorporation, or the bylaws of the corporation.”

“Enclosed is the Definitive Agreement entered into by MaineHealth and Goodall Hospital in 2009. Since that time, MaineHealth has made the following two additional capital commitments to Goodall which will be incorporated into the final agreement we will sign following the receipt of all required regulatory approvals including CON:

Section 2.6.1: The 2009 agreement will be amended to include: “MH further agrees that MH will provide Goodall Hospital with access to capital totaling up to \$20M during the first years of its membership in the MH system, such access to be through any combination of Designated Indebtedness, other debt accommodation provided by MH, and other MH supported services, as mutually agreed upon by Goodall and MH.”

The 2009 agreement will further be amended to include: “MH further agrees to guarantee the outstanding Goodall indebtedness on its Waterboro Medical Office building which is currently financed by Bangor Savings Bank. The current balance of that indebtedness is approximately \$5.3 million.”

Please refer to Exhibit I-A: Draft Definitive Agreement).

“As described elsewhere in this application, MaineHealth plans to place both Southern Maine Medical Center and HDGH under a common parent holding company. Following approvals of this application and other regulatory approvals, we will revise the 2009 Definitive Agreement by developing a definitive agreement directly with MaineHealth and the holding company.”

“There is no capital expenditure requiring a Certificate of Need as described in 22 M.R.S.A. § 329 (3) involved in making HDGH a subsidiary corporation of MaineHealth (Membership).”

“There are no incremental third year operating costs associated with this project.”

“MaineHealth is Fit, Willing and Able – Since 1996 MaineHealth has brought eight hospitals, two home health agencies and one hospital administrative support services organization into MaineHealth. The DHHS CON unit determined that MaineHealth was fit, willing and able to support those changes in ownership for the eight hospitals (Brighton Medical Center, St. Andrews Hospital, Miles Memorial Hospital, Stephens Memorial Hospital, Jackson Brook Institute/Spring Harbor Hospital, Waldo County HealthCare, Inc, Southern Maine Medical Center and PenBay Healthcare) and one of the home health agencies (Community Health Services of Cumberland County).”

“MaineHealth is even better positioned today to bring HDGH into MaineHealth than it was for these organizations. MaineHealth has the organizational structures and resources in place to ensure the quality of services at HDGH continues to improve and that HDGH maintains all appropriate licenses, certifications and accreditations. All key personnel at HDGH and MaineHealth will remain in place.”

B. CONU Discussion

i. CON Analysis

MaineHealth is a non-profit healthcare corporation that is the parent of several hospitals, nursing facilities, physician practices and other health care related entities located throughout parts of southern, western and mid-coastal Maine. MaineHealth also has numerous strategic affiliation agreements with other hospitals within the same area. By virtue of its size, MaineHealth is the largest such healthcare organization in Maine. MaineHealth's administrative offices are located in Portland, Maine.

Henrietta D. Goodall Hospital (Goodall) is a non-profit healthcare corporation that is the parent of a 58-bed acute care community hospital and several other healthcare related entities that serve towns in their primary and secondary service areas of York and Oxford counties. Goodall's administrative offices and the hospital are located in Sanford, Maine. Goodall is approximately 35 miles from Maine Medical Center in Portland the largest hospital subsidiary of MaineHealth. Goodall is approximately 15 miles from Southern Maine Medical Center in Biddeford, the closest member hospital of MaineHealth to Goodall. The next closest hospital that is unaffiliated to MaineHealth is York Hospital, which is approximately 27 miles from Goodall.

Goodall Hospital is comprised of the hospital; outpatient service centers in Sanford, Waterboro and Kennebunk; Goodall Health Partners, a physician and specialty group with offices located in Sanford and Waterboro; The Medical Group, a multi-specialty physician group in Kennebunk; five long term care facilities; a Wellness Center that provides Rehabilitation Services in Waterboro & Kennebunk; and Occupational Health, in Kennebunk.

MaineHealth and Goodall have entered into a "Definitive Agreement" that would make Goodall a subsidiary corporation of MaineHealth (Membership).

II. Fit, Willing and Able

A. From Applicant

i. CON From Applicant

“Summary – MaineHealth is fit, willing and able to bring H.D. Goodall Hospital, Inc. into the family.”

“Since 1996 MaineHealth has brought eight hospitals, two home health agencies and one hospital administrative support services organization in as members of MaineHealth. Bringing the eight hospitals (Brighton Medical Center, St. Andrews Hospital, Miles Memorial Hospital, Stephens Memorial Hospital, Jackson Brook Institute/Spring Harbor Hospital, Waldo County Healthcare, Inc., Southern Maine Medical Center and Pen Bay Healthcare) and one of the home health agencies (Community Health Services of Cumberland County) required determinations by the Maine Department of Health and Human Services Certificate of Need Unit that MaineHealth was fit, willing and able to support these organizations.”

“Under the leadership of MaineHealth and these organizations’ boards, managements and clinical leadership, all of these entities have made significant contributions to the communities they serve and have been recognized frequently for those contributions. As an example of the value provided to the communities served, MaineHealth rescued Jackson Brook Institute from bankruptcy and transformed it into the leading provider of mental health services in Maine, Spring Harbor Hospital. Spring Harbor Hospital now serves as the gatekeeper/coordinator for southern, central and western Maine for the triaging of mental health patients to community hospitals, Riverview, and Spring Harbor Hospital.”

“MaineHealth monitors the quality of services provided by its members and has set a vision of quality to be recognized nationally as a leader in health care quality and safe patient and family centered care. Its members have been recognized nationally by such organizations as U.S. News and World Report, Centers for Medicare and Medicaid Services, the Leap Frog Group, Solucient, Avatar, the American Nurses Credentialing Committee for Magnet Hospitals, Health Grades, Governor’s Award for Environmental Excellence, the Maine Health Management Coalition, American Cancer Society and the American College of Surgeons Trauma Verification Program.”

MaineHealth

“Maine Health’s vision is: *Working together so our communities are the healthiest in America.*”

“MaineHealth is a non-profit § 501(c) (3) health care corporation, with the purpose of developing a broad range of integrated health care services in Maine through member organizations, including hospitals and other health care provider organizations.”

“Please refer to Exhibit 2-A: MaineHealth”

H.D. Goodall Hospital Inc.

“The mission of H.D. Goodall Hospital is: *Goodall Hospital will serve as a leader in improving the health and well-being of the community.*”

“As a system of care, Goodall consists of:

- 58-bed hospital in Sanford
- Outpatient centers in Sanford, Waterboro and Kennebunk
- Goodall Health Partners, a multi-location physician group practice
- Five long term care facilities in Sanford
- The Medical Group, a physician group in Kennebunk
- An occupational health and wellness center in Biddeford”

“H.D. Goodall Hospital’s service area consists of the following towns: Acton, Alfred, the Berwick, Kennebunk, Kennebunkport, Lebanon, Sanford, Shapleigh, and Waterboro.”

H.D. Goodall Hospital included services provided by site. (Included in the complete application. ON file with CONU)

“The Medical Staff of H.D. Goodall Hospital consists of 66 active staff and 55 courtesy staff and 26 nurse practitioners and physician assistants.”

Exhibit II - B presents HDGH’s Notable Awards and Recognitions. (On file with CONU)

Licenses, Certifications & Accreditations

“MaineHealth’s current member affiliates’ licenses, certifications and accreditations are numerous with all being State Licensed, CMS Certified and several are Joint Commission accredited. MaineHealth has demonstrated that its member organizations are capable of delivering the proposed services at the proper standard of care. MaineHealth has been able to successfully integrate other healthcare systems into the parent corporation while continuing to meet licensing standards. Recent activity includes:

- On December 31, 2008, MaineHealth was granted a Certificate of Need for Waldo County Healthcare, Inc to become a member of MaineHealth.
- On March 12, 2009, MaineHealth was granted a Certificate of Need for Southern Maine Medical Center to become a member of MaineHealth.

- On October 13, 2010, MaineHealth was granted a Certificate of Need for Pen Bay Healthcare, Inc to become a member of MaineHealth.”

““Statements of Deficiencies” and site visit reports from the previous three years for all the health care facilities and services in which MaineHealth and HDGH have been involved are on file with the Department of Health and Human Services’ Division of Licensing and Regulatory Services.”

“H.D. Goodall Hospital is licensed by the State of Maine, accredited by the Joint Commission for the Accreditation of Healthcare Organizations (JCAHO), Department of Health and Human Services, and is certified for participation in the Medicare and Medicaid programs.”

“Please refer to Exhibit II-C: HDGH’s License issued by the Maine Department of Health and Human Services and Exhibit II-D: HDGH’s Accreditation letter from JCAHO.” (On file with CONU)

Key Personnel and Organization

“The following are the key senior managers involved in this proposal. All will continue in their respective positions following HDGH becoming a member of MaineHealth.”

“William Caron, President and Chief Executive Officer, MaineHealth. Prior to his current position, Mr. Caron was Executive Vice President and Treasurer at MaineHealth and Vice President and Treasurer at Maine Medical Center in Portland, Maine. He previously was a Partner with Ernst & Young and headed their East Region healthcare consulting practice in Philadelphia, Pennsylvania.”

“Frank McGinty, Executive Vice President & Treasurer, MaineHealth. Prior to his current position, Mr. McGinty was a senior executive of Blue Cross and Blue Shield of Maine as Senior Vice President for External Affairs and Senior Vice President & Treasurer. Mr. McGinty also worked in the public sector as the Maine Department of Human Services’ Deputy Commissioner for Health & Medical Services and as Executive Director of the Maine Health Care Finance Commission.”

“Vance Brown, MD Chief Medical Officer, MaineHealth. Prior to joining MaineHealth, Dr. Brown was Chairman of Family Practice of the Cleveland Clinic. He is Board Certified in Internal Medicine and in Family Practice.”

“Patricia Aprile, President and CEO, H.D. Goodall Hospital. Prior to her current position, Ms. Aprile was H.D. Goodall Hospital’s Vice President of Operations for six years. Ms. Aprile served as an Executive Director with Catholic Medical Center, Manchester, New Hampshire before joining H.D. Goodall.”

“Dan Forgues, Vice President and CFO, H.D. Goodall Hospital. Prior to joining HDGH, Mr. Forgues was the Director of Financial Planning for Maine Medical Center.”

“In anticipation of acquiring control of HDGH, MaineHealth is establishing a subsidiary holding company (Referred to as “XYZ Parent” until the name is finalized) to oversee Southern Maine Medical Center. When HDGH becomes a member of MaineHealth, XYZ Parent would also oversee HDGH.”

“The H.D. Goodall Hospital, Inc. (HDGH) Board of Trustees proposes to amend the HDGH Articles of Incorporation and Bylaws so that XYZ Parent shall become its sole corporate member thereby making HDGH a subsidiary member of MaineHealth. The scheduled effective date is July 1, 2012, subject to gaining all required consents and authorizations.”

“The sole Member of the corporation shall be XYZ Parent acting through its Board of Trustees. The Member shall have the power to elect members of the HDGH Board of Trustees; to amend HDGH Articles of Incorporation; and to exercise such other powers as may be conferred on the Member by law, the Articles of Incorporation, or the bylaws of the corporation.”

“Exhibits II-E and II-F present the current and proposed MaineHealth organizational charts.”

B. CONU Discussion

i. CON Criteria

Relevant criteria for inclusion in this section are specific to the determination that the applicant is fit, willing and able to provide the proposed services at the proper standard of care as demonstrated by, among other factors, whether the quality of any health care provided in the past by the applicant or a related party under the applicant's control meets industry standards.

ii. CON Analysis

MaineHealth's current member affiliates' licenses, certifications and accreditations are numerous with all being State Licensed, CMS Certified and several are Joint Commission accredited. MaineHealth has demonstrated that they are capable of delivering the proposed services at the proper standard of care. They have successfully integrated other healthcare systems into the parent corporation while continuing to meet licensing standards. Recent Certificate of Need activity includes:

- On December 31, 2008, MaineHealth was granted a Certificate of Need for Waldo County Healthcare, Inc to become a member of MaineHealth.
- On March 12, 2009, MaineHealth was granted a Certificate of Need for Southern Maine Medical Center to become a member of MaineHealth.
- On October 13, 2010, MaineHealth was granted a Certificate of Need for Pen Bay Healthcare, Inc to become a member of MaineHealth.

Goodall's current license is valid until February 28, 2013. The Medical Facilities Unit of the Division of Licensing and Regulatory Services last completed a site survey on December 11, 2008 and deficiencies were recorded. The applicant submitted a plan of correction that was accepted by the Division on January 13, 2009. Goodall is Medicare and MaineCare certified. Goodall is currently accredited by the Joint Commission; with the most recent accreditation on June 19, 2010.

Goodall Hospital has not had any reviewable CON projects in the past 6 years.

The applicants' participation in this agreement is subject to the determination from the Department of Justice/Federal Trade Commission that they will not seek to block this action. The involvement of the Department of Justice or the Federal Trade Commission is governed by Section 7A of the Clayton Act, 15 U.S.C. §18a, as added by Title II of the Hart-Scott-Rodino Antitrust Improvements Act of 1976, requires persons contemplating mergers or acquisitions of a certain size to give the Department of Justice and the Federal Trade Commission advance notice and a report of the transaction, and to wait a designated period before consummation of the transaction. At the time of the application the parties had not determined if the requirements of the Hart-Scott-Rodino Act applied to this transaction.

The Certificate of Need Unit recommends the inclusion of several conditions in order to assure the department that compliance with the Hart-Scott-Rodino Act (if required) is accomplished. These conditions are as follows:

- Within 45 days of CON approval, MaineHealth and HDGH shall notify the Department, regarding their intentions to make a filing with the Department of justice and Federal Trade Commission under the Hart-Scott-Rodino Act.
- If MaineHealth and HDGH make such a filing under the Hart-Scott Rodino Act, they shall provide to the Department any letter from the Department of Justice or Federal Trade Commission acknowledging the filing of the Notice and Report.
- If MaineHealth and HDGH has made a filing under the Hart-Scott-Rodino Act, MaineHealth and HDGH shall notify the Department if the Department of Justice or Federal Trade Commission has granted a request for early termination of the 30-day waiting period requirement; or if the Department of Justice or Federal Trade Commission has made a formal request for additional information that would extend the 30 day waiting period.
- If MaineHealth and HDGH have made a filing under the Hart-Scott-Rodino Act, MaineHealth and HDGH shall notify the Department if the Department of Justice or Federal Trade Commission has allowed the waiting period and any subsequent extension to lapse without taking further action thereby allowing the transaction to occur.
- If MaineHealth and HDGH have made a filing under the Hart-Scott-Rodino Act, MaineHealth and HDGH shall notify the Department if the Department of Justice or Federal Trade Commission has taken further action to not allow the transaction to occur.

iii. Conclusion

CONU recommends that the Commissioner find that MaineHealth and Goodall are fit, willing and able to provide the proposed services at the proper standard of care as demonstrated by,

among other factors, whether the quality of any health care provided in the past by the applicant or a related party under the applicant's control meets industry standards.

III. Financial Capability of Applicants and Financial Impact of Project

A. From Applicant

“H.D. Goodall Hospital becoming a member of MaineHealth involves no capital expenditure by HDGH or MaineHealth requiring a certificate of need. HDGH, MaineHealth, the State of Maine or the health care delivery system in Maine will not incur any net increase in operating expenses as a result of HDGH becoming a member of MaineHealth.”

“All MaineHealth members pay MaineHealth dues to support MaineHealth’s operations. Currently, those dues are calculated on the basis of 0.045% of a member’s net operating revenue. In the case of HDGH, those dues are estimated to be approximately \$493,000 for FY 2013 based on total operating revenue of \$98,526,000. MaineHealth does not anticipate there will be a significant increase in the dues percentage over the next three years. As an offset to those dues, we anticipate HDGH will receive benefits from participation in MaineHealth programs, the savings from which will offset those dues, if not exceed them. Since there will be no net increase in HDGH’s operating expenses resulting from membership in MaineHealth, membership will require no price increase for HDGH services.”

“The audited financial statements for MaineHealth and H.D. Goodall Hospital, Inc. are attached as Exhibits III-A and III-B. A review of the financials of MaineHealth and HDGH demonstrate the financial ability of both organizations to support ongoing operations. Further evidence of MaineHealth’s financial strength is that since 2003 it has maintained an AA-credit rating from Standard & Poors. This rating was reconfirmed as recently as June 2008.”

“The CON Unit Financial Forecast Module is attached as Exhibit III-C. The module was completed based on instructions provided to MaineHealth by CON Unit staff. The application is a joint application by MaineHealth and H.D. Goodall Hospital, Inc. Nowhere in the application or in the information supplied to the CON Unit in completing the Financial Module is evidence of a “payment” to H.D. Goodall Hospital by MaineHealth for assets or other considerations that would constitute a capital expenditure (as defined by CON regulations or generally accepted accounting principles) in return for H.D. Goodall Hospital agreeing to become a member of MaineHealth.”

HDGH Capital Investments and Financing

“HDGH has identified major capital investments that are necessary and desirable to support its ongoing operations. These investments include renovations to the hospital, investment in hospital infrastructure, clinical equipment and information system upgrades. These investments total \$20 Million Dollars.”

“Based on HDGH’s financial performance as an independent entity, debt financing for these capital investments would be difficult to obtain, most likely requiring commercial financing at unfavorable terms. MaineHealth and HDGH assume that such financing would be available with the following terms: \$20 Million principal, 10 years, 7.61% APR. (Source of commercial lending terms: Bloomberg Corporate High Yield Rate) Exhibit III-C: Financial Module, Table 9A includes the incremental annual interest expense based on this assumption in Proposed Years 1, 2 and 3.”

“One of the benefits that HDGH receives from joining MaineHealth is access to MaineHealth’s Borrowing Group. Because MaineHealth’s guaranty stands behind borrowing by any member of the group, HDGH will have greater access to capital and access at a lower cost. MaineHealth’s Borrowing Group financing for these same capital investments has the following terms: \$20 Million principal, 10 years, 4.5% APR. Exhibit III-C: Financial Module, Table 9C includes the incremental annual interest expense based on this assumption in Proposed Years 1, 2 and 3.”

“HDGH experiences significant annual savings as a result of becoming a member of MaineHealth. HDGH annual savings exceed its MaineHealth annual membership fee, estimated to be \$493,000. Net savings for the first three years of membership are estimated to be \$795,000, \$1,071,584 and \$1,285,168 respectively.”

Please refer to Exhibit III-C: Financial Module, Table 9B.

Subsidiary Holding Company

“As noted in Section I of this application, MaineHealth is establishing a subsidiary holding company (XYZ Parent”) to oversee Southern Maine Medical Center and when HDGH becomes a member of MaineHealth, XYZ Parent would also oversee HDGH.”

“The two organizations’ Boards of Trustees and Senior Management Teams began discussions last year to explore opportunities to work collaboratively, to share expenses and to enhance clinical services.”

“MaineHealth is confident that HDGH and Southern Maine Medical Center also will experience similar accomplishments given the opportunity to have the more in-depth discussions that are only possible as members of the same organization. MaineHealth has implemented this model successfully. Lincoln County Healthcare oversees and coordinates integrated health care services of St. Andrews Hospital and Healthcare Center and Miles Health Care. This arrangement continues to achieve improvements in patient care, customer service and cost savings for those MaineHealth entities. Establishing this structure and developing a process to

achieve these benefits requires strong leadership and significant time involving Senior Management and Governance, Medical Staff, Middle Management and Staff.”

Compliance with DHHS Licensure, CMS Certification, JCAHO Accreditation, Local Zoning, Environmental Protection and Other Applicable Statutory and Regulatory Requirements

“MaineHealth membership will encourage HDGH’s continuing compliance with State licensure, Medicare certification and JCAHO accreditation requirements.”

“HDGH will continue to comply with applicable zoning requirements, environmental protection regulations, and other applicable municipal, State and Federal ordinances, statutes and regulations.”

Changing Laws and Regulations

“MaineHealth and HDGH are not aware of any imminent or proposed changes in laws and regulations that would impact the project. MaineHealth has demonstrated its ability to adjust to reasonable changes in laws and regulations.”

Computing CON Filing Fee

“In consultation with the CON Unit staff, HDGH and MaineHealth identified HDGH net assets that are not subject to CON review and approval such as physician office space and equipment, information systems, etc. These net assets were eliminated from the computation of the CON filing fee, which resulted in a filing fee of \$76,000.”

“Please refer to Exhibit III-D: HDGH Membership Application 120328 Financial Module Non-reviewable Asset Addendum.”

B. CONU Discussion

i. CON Criteria

Relevant criteria for inclusion in this section are specific to the determination that the economic feasibility of the proposed services is demonstrated in terms of the:

- Capacity of the applicant to support the project financially over its useful life, in light of the rates the applicant expects to be able to charge for the services to be provided by the project; and
- The applicant's ability to establish and operate the project in accordance with existing and reasonably anticipated future changes in federal, state and local licensure and other applicable or potentially applicable rules.

ii. **CON Analysis**

CONU staff prepared a template that allowed financial information from Goodall Hospital to be entered into the template. The applicants are the two organizations: MaineHealth and Goodall Hospital. MaineHealth is a large organization with multiple subsidiaries and joint ventures. MaineHealth has succeeded in making these separate entities self-sufficient. The majority of inter-company activity is related to membership fees, purchases through buying groups, collective financing opportunities and legal and technical expertise. For this merger, CONU staff determined that the size and breadth of MaineHealth is evident from the audited financials for MaineHealth as compared to the size of Goodall Hospital and the important consideration for this project was a demonstration of savings from this membership and the impact on Goodall from becoming a member of MaineHealth.

Twenty-three (23) financial ratios were developed from the applicant's submission to help elucidate the current financial position for Goodall Hospital, and the impact of the proposed project on Goodall Hospital's operating and financial feasibility. Additional financial ratios, as well as financial projections, are on file with CONU.

MaineHealth's audited financial statements indicate that they had revenues in excess of expenditures for FY 2011 and 2010 of \$143.9 million and \$36.7 million respectively. The auditor's opinion of the financial statements was unqualified. Cash and cash equivalents was \$57.9 million in 2011, which was 3.88% of the year's expenditures indicating a days cash on hand from cash and cash investments of nearly 14 days. Investments of \$277 million give the organization a significant amount of liquidity if the need arose to convert the investments to cash. Property, plant and equipment made up 43% of the balance sheet. Net assets of \$1.040 billion compared to \$1.854 billion in assets indicate what industry standards describe as a well-capitalized hospital holding company. Long term debt in 2011 was \$269 million, an increase of \$22 million from the previous year end. The financial statements reinforce that MaineHealth is a financially viable operating entity. MaineHealth, as evidenced by its Standard and Poors AA - credit rating and its financial statements, has the financial capability to support this transaction.

Goodall's audited financial statements indicate that they had revenues in excess of expenditures for fiscal 2011 and 2010 of \$1,401,259 and \$1,304,950 respectively. The auditor's opinion of the financial statements was unqualified. Cash and cash equivalents was \$3,671,340 in 2011, which was 3.95% of the year's expenditures indicating a days cash on hand from cash and cash investments of at least 14 days. Board Designated Investments of \$15.3 million give the organization a significant amount of liquidity if the need arose to increase cash. Property, plant and equipment made up 38% of the balance sheet. The hospital had net assets of \$50.3 million compared to \$88.3 million in assets. This ratio indicates a well-capitalized hospital. Long term debt in 2011 was \$21.2 million, a decrease of \$800,000 from the previous year end. The financial statements reinforce that Goodall is a financially viable operating entity.

The applicants provided a budget narrative and included explanations for the financial projections. The CONU Financial Forecast Module completed by the applicant is consistent with comments made at the technical assistance meeting that savings from benefits would offset the administrative fee Goodall would pay to MaineHealth for becoming a member.

Goodall has finished the past two operating years with revenue in excess of expenditures. The applicants have stated that one of the main reasons for membership is access to MaineHealth's Borrowing Group. Goodall has identified major capital investments that are necessary and desirable to support its ongoing operations. These investments include renovations to the hospital, investment in hospital infrastructure, clinical equipment and information system upgrades. These investments are estimated to exceed \$20 million. MaineHealth's guaranty stands behind borrowing by any member of the group assures Goodall will have greater access to capital at a lower cost. MaineHealth's Borrowing Group financing for these capital investments has the following terms: \$20 Million principal, 10 years, 4.5% APR.

The savings from becoming a member of MaineHealth include limited reductions (less than 1%) in staff and benefit expenditures. A 1% savings in supplies is estimated. A 28% (\$630,000) savings in interest expenditure from new borrowings is projected for the third year of the project. Net savings for Goodall are limited to the difference between the reduced costs of employee benefits and other insurance savings and interest savings as compared to the cost of the annual fee for being a member of MaineHealth. Goodall Hospital expects to save \$795,000 in year 1 and \$1,285,168 in year 3 after becoming a member of MaineHealth.

Net patient service revenues for Goodall in 2013, the first projected year for Goodall after the merger, are expected to be \$82.3 million. This \$82.3 million is equal to 5.66% of MaineHealth's 2011 net patient service revenue of \$1.45 billion. The first year after becoming a member, Goodall is projecting an operating loss compared to a loss of \$2.15 million if Goodall does not join MaineHealth. Otherwise, why would we grant a CON if the facility isn't going to improve their financial position? This compares to MaineHealth's 2011 income from operations of \$37.2 million. The loss would account for 3.6% of income from operations.

In completing this section of the analysis, the CONU concludes that, as proposed, the applicants can financially support the project. Demands on liquidity and capital structure are expected to be adequate to support projected operations. Financing and turnover ratios show little impact on the organization as a whole from successfully engaging in this project. Maine Health has shown current earnings that are not expected to be significantly impacted by this project.

Changing Laws and Regulations

CONU staff is not aware of any imminent or proposed changes in laws and regulations that would impact the project, except for the federal health care reform. The impact of the health reform is not yet determinable. MaineHealth presently has the organizational strength to adjust to reasonable changes in laws and regulations.

iii. Conclusion

CONU recommends that the Commissioner determine that MaineHealth and Goodall Hospital have met their burden to demonstrate: (1) the capacity of the applicant to support the project financially over its useful life, in light of the rates the applicant expects to be able to charge for the services to be provided by the project; and (2) the applicant's ability to establish and operate the project in accordance with existing and reasonably anticipated future changes in federal, state and local licensure and other applicable or potentially applicable rules.

IV. Public Need

A. From Applicant

Public Need – H.D. Goodall Hospital’s Board of Trustees have determined that H.D. Goodall Hospital could best meet its mission, “*Goodall Hospital will serve as a leader in improving the health and well-being of the community,*” if it became part of a larger health system.

“In this section, applicants are required to demonstrate the need for the project which is typically a new service or the expansion of an existing service requiring a capital expenditure that exceeds the threshold for CON review. In this application, the “project” is the change in HDGH ownership, which requires CON review. As a result, this application addresses the need for the “project” in the context of the need for the change in ownership.”

“During the 1990’s, there was significant consolidation of health care providers into systems. While every system evolved for different reasons, most systems has set goals to improve efficiency, lower costs, improve quality and outcomes, and integrate the disparate and fragmented health care service delivery elements into a more coordinated system.”

“As part of its strategic planning process, HDGH identified a number of significant challenges in the environment, which it must address if it is to continue to meet the health care needs of the communities it serves and to improve the health of those communities. Those challenges include:

- Continuing to provide excellent health care to all regardless of ability to pay in an environment of revenues from private and public payers not keeping pace with the costs of delivering those services;
- Difficulty in recruiting and retaining physicians as the national shortage of physicians intensifies;
- Increasing difficulty in accessing the capital necessary to invest in new and replacement technologies and facilities and in information technology and to provide working capital, information systems and facilities/offices to support the recruitment and retention of physicians;
- National, regional and local shortages of health care professionals.”

“H.D. Goodall Hospital concluded that the best way to move forward was to become a member of a health care system, one that shared HDGH’s not for profit values and its vision that healthcare is best delivered as locally as possible. HDGH’s Board, Management, Medical Staff concluded that MaineHealth best met HDGH’s criteria for selecting a health care system. Further, HDGH identified a significant number of benefits from membership in MaineHealth, which would address the challenges identified above and would strengthen HDGH’s ability to meet the health care needs of the communities it serves and to improve the health of those communities.”

“Because MaineHealth is committed to improving the health of all of the communities in its eleven county service area, it welcomed the opportunity to demonstrate to HDGH how by joining MaineHealth, the two organizations could make significant progress in achieving this vision.”

“HDGH has identified the following benefits from joining MaineHealth:

- **Access to MaineHealth’s Borrowing Group.** HDGH will become a member of MaineHealth’s borrowing group, which includes Maine Medical Center. Because MaineHealth’s guaranty stands behind borrowing by any member of the group, HDGH will have greater access to capital and access at a lower cost.
- **Full Participation in MaineHealth’s Quality, Health Status Improvement and Clinical Integration Programs.** As a member of the MaineHealth system, HDGH will participate, as all other members do, in the development and implementation of quality improvement programs, as well as educational/networking clinical support.
- **Access to MaineHealth’s Management Resources.** As a member of the MaineHealth system, HDGH will have access to shared administrative resources including but not limited to: legal, financial, strategic planning, program development, marketing, information services and human resources.
- **Access to MaineHealth’s Administrative Integration Programs.** As a member of the MaineHealth system, HDGH will have complete access to MaineHealth’s health plan, workers compensation trust, purchasing program and vendor contracts, physician practice management services, professional liability trust, laundry services, investment advisory and banking services and audit services. These programs provide significant opportunities for cost savings for HDGH.”

“As a result, HDGH’s ability to meet community needs to improve the community’s health, to continue to provide access to services regardless of ability to pay and to continue to improve the quality of services will be enhanced significantly.”

B. CONU Discussion

i. CON Criteria

Relevant criteria for inclusion in this section are specific to the determination there is a public need for the proposed services as demonstrated by certain factors, including, but not limited to:

- Whether, and the extent to which, the project will substantially address specific health problems as measured by health needs in the area to be served by the project;
- Whether the project will have a positive impact on the health status indicators of the population to be served;
- Whether the services affected by the project will be accessible to all residents of the area proposed to be served; and
- Whether the project will provide demonstrable improvements in quality and outcome measures applicable to the services proposed in the project.

ii. CON Analysis

As part of its strategic planning process, Goodall identified a number of significant challenges which Goodall suggests the hospital must address if it is to continue to meet the health care needs of the communities it serves and to improve the health of those communities. Those challenges include:

- Continuing to provide excellent health care to all regardless of ability to pay in an environment of revenues from private and public payers not keeping pace with the costs of delivering those services;
- Difficulty in recruiting and retaining physicians as the national shortage of physicians intensifies;
- Increasing difficulty in accessing the capital necessary to invest in new and replacement technologies and facilities and in information technology and to provide working capital, information systems and facilities/offices to support the recruitment and retention of physicians; and
- National, regional and local shortages of health care professionals.

Goodall believes that the key issue for consideration in this section is that this project will allow the hospital to continue to meet the challenges of the area it serves and to meet the health needs of the population.

As discussed in Section III: Financial Feasibility, Goodall Hospital expects to utilize the funds available from MaineHealth's financing capabilities to undergo substantial capital improvements to better serve residence of western and central York County. In order to ensure that this proposed acquisition does not negatively affect the availability of health services the following conditions is proposed. This condition is: For a period of three years from the time of commencement of this proposed acquisition MaineHealth will report any planned reduction in existing health services available in the greater Sanford community (western and central York County).

The applicant has suggested that in order for Goodall Hospital to remain a viable and sustainable healthcare resource for the people in the Goodall Hospital service area, that Goodall must become part of a larger healthcare system in order to access additional financial, operational and management resources. The applicants have stated that the benefits of joining a healthcare system include: access to capital, access to physicians and other healthcare professionals, recruitment and retention programs, and the ability to provide quality healthcare to all patients regardless of the ability to pay. By Goodall becoming a member in MaineHealth, MaineHealth will be able to fund electronic medical records systems for all of Goodall's physicians. Goodall will also have access to MaineHealth's management resources, which include legal, financial, strategic planning, program development and human resources. The applicants have identified that the ongoing provision of all quality medical services in the area are threatened by Goodall not becoming a member of MaineHealth. These advantages are expected to have a positive impact on the health status indicators of the population to be served.

The applicants have not proposed any changes to the service areas of either Goodall or MaineHealth and have not projected any change to amount of care provided by Goodall Hospital. The services affected by obtaining the membership will be accessible to all residents of the area proposed to be served.

When Goodall becomes a member of MaineHealth, demonstrable improvements in community health should occur. The communities that Goodall serves are Western York County and Central York County. In order to ascertain the level of demonstrable improvements in quality outcomes in healthcare attributable to this project, it is recommended that the following condition be included: Report improvements in quality outcomes as a result of this merger for a period of three years from merger date.

iii. Conclusion

CONU recommends that the Commissioner find that MaineHealth and Goodall have met their burden to show that there is a public need for the proposed project.

V. Orderly and Economic Development

A. From Applicant

“As described previously, there is no capital expenditure requiring CON review and no increase in operating expenses for the health care delivery system in Maine, for the State of Maine, for MaineHealth or for H.D. Goodall Hospital as a result of HDGH joining MaineHealth.”

“Creating the opportunity for H.D. Goodall Hospital to join MaineHealth and take advantage of membership benefits (access to capital for programs, facilities, information technology and physician recruitment; access to MaineHealth initiatives to improve health status and quality/safety; opportunities to reduce costs through economies of scale and access to specialized management support and expertise) is consistent with the orderly and economic development of the health care delivery system.”

“In making the decision to join MaineHealth, HDGH evaluated two other alternatives: (1) becoming an affiliate of MaineHealth (not a corporate member); (2) remaining a “freestanding” organization (not a member or affiliate of any system).”

“MaineHealth can offer participation in its administrative integration programs (those with potential for significant economic benefit and savings) and its obligated group for access to capital only to member organizations (not its affiliates). Because HDGH concluded these benefits are so significant and critical to its ability to continue to meet the health care needs of its communities and to improve the communities’ health, becoming an affiliate was not the preferred alternative. For essentially the same reasons, HDGH also concluded it could not operate most effectively as a “freestanding” organization.”

Lowering the cost of care through collaboration and consolidation

“HDGH, its physicians and patients will benefit from participation in MaineHealth clinical integration and chronic disease management programs, and will realize savings from participation in MaineHealth supply chain purchasing. It will have the opportunity to evaluate potential savings from using NorDx to manage its lab services, participating in MaineHealth’s PACs system for imaging studies, using MaineHealth’s Maine Medical Partners physician practice management services, and MaineHealth’s Vital Network electronic ICU monitoring program.”

Improving access to necessary services for the population

“No change to the existing level and array of healthcare services provided by H.D. Goodall Hospital will occur as a result of HDGH becoming a member of MaineHealth. By enhancing HDGH’s ability to recruit and retain physicians and invest in facilities and technology, membership in MaineHealth can mitigate what might otherwise be reduced access to care.”

Providing economical health care

“MaineHealth member hospitals and HDGH have responded positively to the State's request that they voluntarily hold the increases in their cost per adjusted discharge to the legislatively determined increase and hold their operating margins to less than 3.0%.”

Implementing a system-wide electronic medical record

“In 2007, the MaineHealth Board approved a plan recommended by management to make available an ambulatory electronic medical record system to employed and independent physicians on the medical staffs of all MaineHealth member hospitals. The system is also being offered to physicians on the medical staffs of MaineHealth's affiliate hospitals. The plan calls for bringing more than 600 providers at Maine Medical Center, Miles Memorial Hospital, St. Andrews Hospital, Stephens Memorial Hospital, Spring Harbor Hospital, Pen Bay Medical Center, Southern Maine Medical Center and Waldo County Healthcare on to the system.”

“MaineHealth has selected Epic, one of the nation's leading information technology organizations, as its strategic partner to implement the MaineHealth ambulatory electronic medical record. Epic allows healthcare providers the ability to address a variety of information needs, and will help MaineHealth, and its member organizations, build strong relationships with patients, facilitate an exchange of information across episodes of care, and allow anytime/anywhere data access for physicians. Epic is consistently ranked as the top EMR in its category by respected industry evaluators. The system allows clinicians to improve care, protect patient safety and enhance financial performance. With Epic, providers have the right information at the right time.”

“Under the Definitive Agreement MaineHealth has agreed to provide financial support of up to \$42,000 per employed physician for an electronic medical record system for HDGH.”

MaineHealth Vital Network (Electronic ICU Monitoring)

“In 2005, MaineHealth began offering to Maine hospitals an electronic system for monitoring real time patients in intensive care units. The system is staffed at a central location by critical care trained/certified physicians and nurses. The Leap Frog Group has determined that electronic monitoring systems satisfy its quality/safety standard for care of ICU patients by Board Certified critical care physicians. The system provides continuous monitoring of selected patient conditions and has a video system which allows the Vital Network Staff to view the patients. Because of its capabilities, the system has been proven to reduce ICU mortality. (Kuzniewicz MW, Vasilevskis EE, Lane R, et al., Impact of Methods of Assessment and Variation in ICU Risk-Adjusted Mortality: Potential Confounders. Chest 2008:133; pp. 1319-1327.) MaineHealth was the first health care system in New England to implement the system, and has invested in excess of \$ 4 million in the project.”

“Currently, the Vital Network is operational for all critical care beds (except neonates) at Pen Bay Medical Center, Miles Memorial Hospital, St. Mary's Regional Medical Center, Waldo County General Hospital, Pen Bay Medical Center, Franklin Memorial Hospital and Southern Maine Medical Center. Implementation is in the planning stages at MaineGeneral Medical Center and Mercy Hospital.”

B. CONU Discussion

i. CON Criteria

Relevant criteria for inclusion in this section are specific to the determination that the proposed services are consistent with the orderly and economic development of health facilities and health resources for the State as demonstrated by:

- The impact of the project on total health care expenditures after taking into account, to the extent practical, both the costs and benefits of the project and the competing demands in the local service area and statewide for available resources for health care;
- The availability of state funds to cover any increase in state costs associated with utilization of the project's services; and
- The likelihood that more effective, more accessible or less costly alternative technologies or methods of service delivery may become available.

ii. CON Analysis

There is expected to be a decrease in total health care expenditures while there is not expected to be any increases in available resources. Goodall has expressed their commitment and need to expend the capital resources outlined in this project regardless of their membership in MaineHealth.

Total 3rd year incremental operating costs are projected to show no additional costs from the membership; therefore, no projected increase in MaineCare funds will be needed to fund this project through the 3rd year of operation (2015).

The applicants list a variety of potential savings from this project. The most immediate savings comes from Goodall Hospital being able to participate in MaineHealth's group health insurance plan for Goodall's employees. This is expected to save \$336,000 in personnel and benefits in year 3 of the project.

Another source of savings is the ability to make joint purchases for supplies. This is expected to save \$319,000 in supply costs in year 3 of the project.

A significant source of savings for Goodall will be access to MaineHealth's borrowing group, interest savings are expected to be \$630,000 in year 3 of the project.

Goodall will be required to pay a membership fee to MaineHealth. The fee is currently calculated on the basis of 0.045% of a member's net operating expenditures. The fee for Goodall Hospital is projected to be \$493,000. As discussed in the economic feasibility section of this application (section III), the projected 3rd year incremental operating costs show a net savings of \$1,285,168. The membership fee will be offset by \$1,778,168 in administrative savings and interest expenditures for the planned capital investments.

The applicants chose not to include expenditures related to updating electronic medical records for this project. These costs will be passed on to the payers of the services; however, it is the applicants' contention that these costs are currently too subjective and speculative to include in a forecast.

A prime motivating factor for Goodall to complete this merger is the availability of capital. One of the benefits of membership is access to MaineHealth's borrowing group. Goodall has identified major capital investments that are necessary and desirable to support its ongoing operations of approximately \$20 million.

In order for CONU to accurately measure the effect of Goodall hospital becoming a member of MaineHealth, the following condition to the approval of this project is recommended:
Report cost savings attributable to this merger for a period of three years from merger date.

iii. Conclusion

CONU recommends that the Commissioner find that MaineHealth and Goodall Hospital have met their burden to demonstrate that the proposed project is consistent with the orderly and economic development of health facilities and health resources for the State.

VI. Outcomes and Community Impact

A. From Applicant

No Impact on Other Providers

“Approval of this project does not negatively affect the quality of care delivered by other existing service providers. This project primarily involves the day-to-day operation of HDGH. There are no changes to clinical services. The project should have no impact on other providers’ volume of services, quality of care or costs.”

Ensures High Quality Services

“HDGH has in place its ongoing structures to improve safety, reduce risk and improve the quality of care. No change in the commitment to those initiatives will occur with HDGH joining MaineHealth.”

Please see Exhibit VI-A: HDGH’s Quality Assessment and Performance Improvement Program and Exhibit VI-B: HDGH’s Patient Safety Plan.

Improves the Health of the Community

“Through participation in MaineHealth’s health status improvement and clinical integration initiatives (see below), HDGH will be able to continue to impact positively the health of the communities it serves. A strengthened financial position should contribute to its ability to do so.”

No Impact on H.D. Goodall Hospital Existing Service Delivery, Management and Finances

“This project primarily involves the day-to-day operation of HDGH. There are no changes to clinical services. The project should have no impact on service utilization. As noted elsewhere in this application, HDGH finances should improve through cost reductions resulting from HDGH’s access to MaineHealth’s administrative integration initiatives, e.g., MaineHealth’s health plan, workers compensation trust, purchasing program and vendor contracts, physician practice management services, professional liability trust, laundry services, investment advisory and banking services and audit services.”

MaineHealth Commitment to Quality

“MaineHealth is committed to being recognized by patients, payers and providers as the benchmark for quality and safety, patient and family experience and evidence based use of resources. On a quarterly basis the MaineHealth board reviews quality performance measures for all member and affiliate organizations, including:

- National Quality Forum hospitals measures
- Performance of participants in the MaineHealth Vital Network (electronic ICU monitoring system)
- Home health clinical measures
- Long term care clinical measures”

“In 2007, the MaineHealth Board adopted the following 10 year vision for quality and safety:

In 2017 MaineHealth will be a nationally recognized leader in health care quality and safe patient and family centered care. We will achieve that status not because we seek national prominence for its sake but rather it will be founded on an unwavering system level commitment to quality and safety and continuously improving the health of the communities we serve. Achieving and sustaining excellence starts with our belief that every single patient in the communities we serve deserves the highest quality health care services that we can provide in an efficient and cost effective manner. We will communicate publicly our quality, safety and cost information to aid patients and their families in making informed choices when seeking health care services. The core of our success will be our boards and management teams focusing at all levels on quality and safety as the critical elements driving strategic planning. Across the continuum of care our physicians, nurses, staff, patients and their families will collaborate to set high standards, monitor performance, openly share results and work together to continuously improve quality and safety.”

“In order to implement that vision, MaineHealth has established its Center for Quality and Patient Safety under the direction of Dr. Vance Brown, MaineHealth Chief Medical Officer. The Center will focus on:

- Board Engagement – All MaineHealth and member board members will complete a core curriculum in quality and safety developed by the Center. That training will enable every board member to better understand quality, safety and performance improvement and enable them to take a greater role in ensuring quality and safety in their organization
- Education and Consultation – Center staff will provide support and expertise to member organizations in developing and implementing quality and safety initiatives. Ownership and responsibility for quality improvement and monitoring will remain at the local level
- Performance Measurement and Reporting – Member organizations are overwhelmed at present by the number of organizations requesting quality and safety performance information. The Center will provide support for data collection, measurement and reporting allowing members to focus on actual quality and performance improvement.
- Accreditation and Regulatory Support – The Center will provide the support and expertise to ensure member organizations attain and maintain all appropriate licensure and accreditation standards
- System Wide Performance Targets – Working with members, MaineHealth will identify system wide performance targets to ensure consistency and accountability for major clinical processes. Included in these efforts will be clinical decision support systems that facilitate the monitoring of performance.”

B. CONU Discussion

i. Criteria

Relevant criteria for inclusion in this section are specific to the determination that the project ensures high-quality outcomes and does not negatively affect the quality of care delivered by existing service providers.

ii. CON Analysis

Goodall Hospital's clinical outcomes are predicted to improve over time from participation in MaineHealth's health status improvement, clinical integration and quality improvement initiatives/programs. In order to ensure that Goodall's becoming a member in MaineHealth will provide anticipated improvements in quality and outcome measures, CONU recommends that the following condition be incorporated into the CON approval: Report improvements in quality outcomes as a result of this merger for a period of three years from merger date.

CONU received no comments of opposition from other service providers. No information has been received to suggest that this CON approval will have a negative effect on the quality of care delivered by existing service providers. This project primarily involves the day-to-day operation of HDGH. There are no proposed changes to clinical services. This project involves the membership of Goodall into MaineHealth; therefore, it does not involve the addition of a new health service or the expansion of an existing service. CONU concludes that the project will not negatively affect the quality of care delivered by existing service providers based upon the information provided

iii. Conclusion

CONU recommends that the Commissioner find that Goodall and MaineHealth have met their burden to demonstrate that this project will ensure high-quality outcomes and does not negatively affect the quality of care delivered by existing service providers.

VII. Service Utilization

A. From Applicant

“HDGH joining MaineHealth will have no adverse impact on the utilization of services by residents of its service area. Participation in MaineHealth’s health status improvement, clinical integration and quality improvement initiatives should over time impact utilization positively.”

MaineHealth Population-based Initiatives

“The mission of MaineHealth is “Working together so our communities are the healthiest in America”. MaineHealth has made financial and human resource commitments to this mission, based on the following beliefs:

- Health care costs in Maine (and nationally) will continue to increase due to demographic, technological and normal inflation factors which are generally beyond our control;
- If healthcare is to remain affordable to the vast majority of our citizens, changes will need to be made to the manner in which we currently provide and finance that care;
- The long-term solution to balancing increased utilization is to improve the health of the people of Maine;
- The “health care challenge” requires short-term solutions which improve the quality (both care delivery and outcomes), cost-efficiency (both clinical and administrative) and access to health care.”

“MaineHealth’s approach to improving the health of its communities focuses on two major types of initiatives:

- Health status improvement initiatives which address a health issue which is amenable to intervention based on specific, scientifically based programs
- Clinical integration initiatives which seek to improve the delivery of coordinated, integrated services to selected populations, particularly those with chronic diseases or for conditions where clinical guidelines and protocols have been demonstrated to improve outcomes.”

“Management of populations with chronic diseases has become a major focus of MaineHealth’s clinical integration initiatives. During the next 15 years, the population in Maine over the age of 65 is expected to double. Based on national studies, it may be anticipated that 60% of the population will have at least one chronic condition and 40% will have two or more. A recent study by researchers at Johns Hopkins, the US HHS Agency for Health Research and Quality and the University of Pennsylvania predicts that by 2030, 87% of the population will be overweight, 51% will be obese and the prevalence of overweight children will nearly double. Since 1999, MaineHealth has been building health status improvement and clinical integration initiatives to address these challenges, funding them through a combination of MaineHealth dues, investment income and grants.”

“MaineHealth and its members are clearly committed to population based health and prevention and are redirecting resources to support those initiatives. MaineHealth has been building health status improvement and clinical integration initiatives to address these challenges, funding them through a combination of MaineHealth dues, investment income and grants. Beginning in FY 2006, MaineHealth began providing partial support for these initiatives through fund balance transfers from member organizations.”

Below are the MaineHealth budgets for these initiatives for FY 2010, 2011 and 2012.

MaineHealth Clinical Integration / Health Status Improvement Budgets (in 000s)

	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>
Clinical Integration	\$4,733	\$4,995	\$6,173
Health Status Improvement	3,804	4,314	4,971
Community Education	<u>2,537</u>	<u>2,573</u>	<u>2,540</u>
Total	\$11,074	\$11,882	\$13,684

“MaineHealth has not asked for more than we thought could be well used and we have continued to be successful in securing other support through grants. MaineHealth has adopted a strategy that recognized that, while it has been reasonably successful in its initiatives, MaineHealth must step up the scope and pace of these initiatives by committing over the next several years up to 1% of its net assets annually to support these initiatives.”

“MaineHealth emphasizes collaboration in developing and implementing clinical integration and health status improvement initiatives; all provider organizations are welcome to join us and use our tools. There are no competitors. Our approach is based on bringing together providers to design and implement evidence based approaches to the care of patients and on measuring results.”

“Presented below are brief summaries of the major health status improvement and clinical integration initiatives supported by these resources. Detailed descriptions of these initiatives and the outcomes they have produced to date to improve the health of communities MaineHealth serves are on file with the Certificate of Need Unit as part of the public record associated with MaineHealth and Waldo County Healthcare certificate of need application for WCH Membership in MaineHealth and are included in this application by reference.

- AH! Asthma Health – a comprehensive patient and family education and care management program targeting childhood asthma initially and now expanded to include adults;
- Target Diabetes – a comprehensive diabetes education and care management program;
- Caring for ME – designed to improve the ability of primary care providers to care for patients with depression and to educate patients and families on their roles in self-management;
- Healthy Hearts – designed to improve the care of patients with congestive heart failure and to educate patients and families on their roles in self-management;

- Clinical Improvement Registry – a computer based system provided to primary care practices in the MMC Physician-Hospital Organization and several other hospital physician organizations. The Registry provides patients and physicians with data on the management of chronic illnesses including asthma, diabetes, cardiovascular disease, depression and heart failure;
- MMC Physician Hospital Organization Clinical Improvement Plan – the Plan includes funding 23 practice based registered nurse care managers which support 265 physicians in 71 primary care practices; currently they are focusing on diabetes, depression and asthma;
- Raising Readers – a health and literacy project that provides books to all Maine Children from birth to age five at their Well Child visits;
- Care Partners – provides free physician and hospital care, drugs and care management to over 1,000 adults in Cumberland, Kennebec and Lincoln counties who do not qualify for federal and state programs;
- Center for Tobacco Independence – MaineHealth through a contract with the State manages the statewide smoking cessation program;
- Acute Myocardial Infarction/Primary Coronary Intervention Project – collaborative effort of 11 southern, central and western Maine hospitals, and their medical staffs that standardizes and improves the care of patients experiencing a heart attack;
- Stroke Program – assures that all patients with stroke receive the most up to date, high quality, efficient care; provides a coordinated system of care for stroke patients who must be transferred to another facility;
- Emergency Department Psychiatric Care – follows a medical clearance protocol for patients seen in the ED who need hospitalization; follows medication recommendations for agitated patients; and decreases the need for restraints and seclusion, including training ED staff how best to work with agitated patients;
- Healthy Weight Initiative – addresses adult and youth obesity, including a 12 step action plan (“Preventing Obesity: A Regional Approach to Reducing Risk and Improving Youth and Adult Health”);
- Youth Overweight – MaineHealth and MMC have joined with several other organizations including Hannaford, United Way, Unum, Anthem and TD Banknorth, to design and implement a 5 year initiative on youth overweight;
- Blood Transfusion – system protocols to reduce blood transfusions
- Hand Hygiene - system plan to reduce hospital infections through hand hygiene monitoring.

- The MaineHealth Cancer Resource Center – MaineHealth’s major initiative focusing on cancer. Goals for this new initiative include:
 - For the five most prevalent cancers, adopt evidence-based clinical care guidelines, identify quality metrics and reporting methodology, and provide a range of educational support to promote consistent use of guidelines.
 - Support each MaineHealth organization in attaining or maintaining the appropriate level of cancer care accreditation, including appropriate level of credentialing necessary for delivering care in accordance with desired accreditation
 - ± Improve access to clinical trials.
 - Improve access to genetic counseling services.
 - Support the development of patient navigation and survivorship programs to improve patient access, engagement, and satisfaction.
 - Improve the Network Registry to support increased access and data review for outcomes and quality metrics.
 - Coordinate services regionally to provide maximum access to care (i.e. improve access to specialists.)”

“MaineHealth and its members are clearly committed to population based health and prevention and are redirecting resources to support those initiatives. MaineHealth believes that these initiatives are entirely consistent with the best evidence - based practices regarding how to approach chronic disease. Evidence from our programs demonstrates that the Chronic Care Model can and does work [Letourneau et al, “Rural Communities Improving Quality through Collaboration,” Journal for Healthcare Quality, (National Association for Healthcare Quality, Vol. 28, No. 5, pp. 15-27)].”

“Please refer to Exhibit VII-A: MaineHealth Clinical Integration Summary of Annual Reports, FY 2009, Exhibit VII-B: MaineHealth Clinical Integration Summary of Annual Reports, FY 2009 and Exhibit VII-C: MaineHealth Clinical Integration Summary of Annual Reports, FY 2010.”

B. CONU Discussion

i. CON Criteria

Relevant criterion for inclusion in this section are specific to the determination that the project does not result in inappropriate increases in service utilization, according to the principles of evidence-based medicine adopted by the Maine Quality Forum.

ii. CON Analysis

This application involves the membership of Goodall into MaineHealth. It does not involve the addition of new health services or the expansion of existing service.

The applicants have stated that the process of Goodall joining MaineHealth will have no adverse impact on the utilization of services by residents of its service area. Participation in MaineHealth's health status improvement, clinical integration and quality improvement initiatives should have a positive impact on utilization over time.

In previous applications for Membership in MaineHealth, the Maine Quality Forum had concluded that the approval of hospital membership into MaineHealth combined with its health status improvement, clinical integration and quality improvement initiatives and programs will not create an inappropriate increase in service utilization and is expected to have a positive impact on patient care.

iii. Conclusion

CONU recommends that the Commissioner find that the applicants have met their burden to demonstrate that the project does not result in inappropriate increases in service utilization, according to the principles of evidence-based medicine adopted by the Maine Quality Forum.

VIII. Timely Notice

A. From Applicant

“MaineHealth and HDGH have followed the appropriate procedures regarding timely submission of the Letter of Intent, scheduling of the Technical Assistance meeting, submission of the Application and certifying the Application Completeness outlined in the Maine Certificate of Need Procedures Manual for this type of project.”

“MaineHealth and HDGH will cooperate with the Department in arranging the required Public Informational Meeting.”

“MaineHealth and HDGH are willing and reserve the right to submit information that is responsive to any concern, issue, question or allegation of facts contrary to those in the application made by the department or any other person.”

B. CONU Discussion

Letter of Intent filed:	Jan 16, 2012
Technical Assistance meeting held:	Feb 3, 2012
CON application filed:	March 29, 2012
CON certified as complete:	March 29, 2012
Public Hearing Held:	May 21, 2012
Public comment period ended:	June 5, 2012

IX. CON Findings and Recommendations

Based on the preceding analysis, including information contained in the record, the CONU recommends that the Commissioner make the following findings and recommendations subject to the conditions below:

A. That the applicant is fit, willing and able to provide the proposed services at the proper standard of care as demonstrated by, among other factors, whether the quality of any health care provided in the past by the applicant or a related party under the applicant's control meets industry standards.

B. The economic feasibility of the proposed services is demonstrated in terms of the:

1. Capacity of the applicant to support the project financially over its useful life, in light of the rates the applicant expects to be able to charge for the services to be provided by the project; and

2. The applicant's ability to establish and operate the project in accordance with existing and reasonably anticipated future changes in federal, state and local licensure and other applicable or potentially applicable rules;

C. The applicant has demonstrated that there is a public need for the proposed services as demonstrated by certain factors, including, but not limited to;

1. The extent to which the project will substantially address specific health problems as measured by health needs in the area to be served by the project;

2. The project has demonstrated that it will have a positive impact on the health status indicators of the population to be served;

3. The project will be accessible to all residents of the area proposed to be served; and

4. The project will provide demonstrable improvements in quality and outcome measures applicable to the services proposed in the project;

D. The applicant has demonstrated that the proposed services are consistent with the orderly and economic development of health facilities and health resources for the State as demonstrated by:

1. The impact of the project on total health care expenditures after taking into account, to the extent practical, both the costs and benefits of the project and the competing demands in the local service area and statewide for available resources for health care;

2. The availability of State funds to cover any increase in state costs associated with utilization of the project's services; and

3. The likelihood that more effective, more accessible or less costly alternative technologies or methods of service delivery may become available was demonstrated by the applicant;

In making a determination under this subsection, the commissioner shall use data available in the state health plan under Title 2, section 103, data from the Maine Health Data Organization established in chapter 1683 and other information available to the commissioner. Particular weight must be given to information that indicates that the proposed health services are innovations in high quality health care delivery, that the proposed health services are not reasonably available in the proposed area and that the facility proposing the new health services is designed to provide excellent quality health care.

E. The applicant has demonstrated that the project ensures high-quality outcomes and does not negatively affect the quality of care delivered by existing service providers;

F. The applicant has demonstrated that the project does not result in inappropriate increases in service utilization, according to the principles of evidence-based medicine adopted by the Maine Quality Forum.

CON RECOMMENDATION: For all the reasons contained in this preliminary analysis and based upon information contained in the record, CONU recommends that the Commissioner determine that this project should be **approved with the following conditions:**

1. Within 45 days of CON approval, MaineHealth and HDGH shall notify the Department, regarding their intentions to make a filing with the Department of Justice and Federal Trade Commission under the Hart-Scott-Rodino Act.
2. If MaineHealth and HDGH make such a filing under the Hart-Scott Rodino Act, they shall provide to the Department any letter from the Department of Justice or Federal Trade Commission acknowledging the filing of the Notice and Report.
3. If MaineHealth and HDGH has made a filing under the Hart-Scott-Rodino Act, MaineHealth and HDGH shall notify the Department if the Department of Justice or Federal Trade Commission has granted a request for early termination of the 30-day waiting period requirement; or if the Department of Justice or Federal Trade Commission has made a formal request for additional information that would extend the 30 day waiting period.
4. If MaineHealth and HDGH have made a filing under the Hart-Scott-Rodino Act, MaineHealth and HDGH shall notify the Department if the Department of Justice or Federal Trade Commission has allowed the waiting period and any subsequent extension to lapse without taking further action thereby allowing the transaction to occur.

5. If MaineHealth and HDGH have made a filing under the Hart-Scott-Rodino Act, MaineHealth and HDGH shall notify the Department if the Department of Justice or Federal Trade Commission has taken further action to not allow the transaction to occur.
6. Report, for a period of three years from the time of commencement of this proposed acquisition, any planned reduction in existing health services available in the greater Sanford community (western and central York County).
7. Report improvements in quality outcomes as a result of this merger for a period of three years from merger date.
8. Report cost savings attributable to this merger for a period of three years from merger date.