

BRIEFING MEMO

MaineHealth Goodall Membership in MaineHealth

DATE: August 6, 2012

TO: Mary Mayhew, Commissioner, DHHS

THROUGH: Kenneth Albert, III RN, Esq., Director; Division of Licensing and Regulatory Services

FROM: Phyllis Powell, Assistant Director, Medical Facilities
Larry Carbonneau, Senior Health Care Financial Analyst

SUBJECT: Henrietta D. Goodall becoming a subsidiary of MaineHealth.

ISSUE ACTIVATED BY: The referenced proposal requires Certificate of Need (CON) approval as defined in "The Maine Certificate of Need Act of 2002," 22 MRSA §326 et seq., as amended.

REGISTERED AFFECTED PARTIES: None

I. BACKGROUND:

- MaineHealth, located in Portland, Maine, is a non-profit healthcare corporation that is the parent corporation for the following eight hospitals: Maine Medical Center; Miles HealthCare, Inc.; Stephens Memorial Hospital; Spring Harbor Hospital; St. Andrews Hospital; Southern Maine Medical Center; Penobscot Bay Medical Center and Waldo County Healthcare, Inc. MaineHealth is also the parent corporation for HomeHealth Visiting Nurses of Southern Maine, NorDx Laboratory, Spring Harbor Counseling, Maine PHO and Synernet. These entities had assets in excess of \$1.85 billion on September 30, 2011. MaineHealth also has numerous strategic affiliation agreements with other Maine hospitals. By virtue of its size, MaineHealth is the largest healthcare organization in the state.
- H.D. Goodall Hospital, Inc., located in Sanford, Maine, is a non-profit healthcare corporation. This organization consists of a 58-bed acute care community hospital, outpatient centers in Kennebunk, Waterboro and Sanford, and five long-term care facilities located in Sanford. H.D. Goodall Hospital's service area consists of the following towns: Acton, Alfred, the Berwick, Kennebunk, Kennebunkport, Lebanon, Sanford, Shapleigh, and Waterboro. This area is described as central and western York County.
- MaineHealth's members are State Licensed and CMS certified. Several are Joint Commission Accredited.

- H.D. Goodall Hospital's (Goodall) current license is valid until February 28, 2013. Goodall is Medicare and MaineCare certified. Goodall is accredited by the Joint Commission; Goodall was last accredited on June 19, 2010.
- In the preliminary analysis, CONU determined that the applicant satisfied review criteria and recommended that the Commissioner approve the application subject to eight conditions. The applicant acknowledged that they were willing to comply with the conditions. These conditions are found at the end of this briefing memo.

II. PROJECT DESCRIPTION:

MaineHealth and H.D. Goodall Hospital entered into a "Definitive Agreement" that would make H.D. Goodall Hospital a subsidiary corporation of MaineHealth (Membership). The specific plan regarding the ongoing operations of H.D. Goodall Hospital may include incorporating a subsidiary of MaineHealth to be the parent corporation of both Southern Maine Medical Center and Goodall Hospital. The proposed organizational structure of having a parent company oversee both Southern Maine Medical Center and H.D. Goodall Hospital would not require CON approval.

According to the applicant, "as a member of MaineHealth, Goodall will continue and increase its participation in development and implementation of MaineHealth-initiated and sponsored health status improvement, clinical integration, and quality improvement initiatives. Goodall will also have access to shared administrative resources of the MaineHealth system, including legal services, financial services, strategic planning, program development and human resource management. Goodall may also participate in MaineHealth's health benefit and workers' compensation plans, and its professional liability insurance trust."

III. HIGHLIGHTS:

Letter of Intent filed:	01/16/2012
Technical assistance meeting held:	02/03/2012
CON application filed:	03/28/2012
CON certified as complete:	03/28/2012
Public Information Meeting Held:	N/A
Public Hearing held:	05/21/2012
Public comment period ended:	06/06/2012
Preliminary Analysis Released:	July 13, 2012
Public comment period ended:	July 31, 2012

IV. PUBLIC COMMENTS RECEIVED IN RESPONSE TO THE PRELIMINARY ANALYSIS:

Following release of the Preliminary Analysis, no public comments were received regarding CON.

V. APPLICANT'S RESPONSE TO PRELIMINARY ANALYSIS (condensed)/CONU COMMENTS:

The applicant responded to the preliminary analysis on July 20, 2012. Of the seven comments, none impact the determinations of the Certificate of Need Unit. These comments include: The value of the Estimated Capital Expenditure. The Estimated Capital Expenditure will not be known in an exact amount until the membership process is completed. The analysis concluded that this estimate was \$75,320,659 while MaineHealth commented that the amount was \$75,129,659. It is highly unlikely that either amount will be correct at the time the membership transaction will occur. Members' dues were calculated on the basis of 0.045% of a member's net operating revenue, the correct percentage is 0.05%, the amounts included in the calculation were correct.

There were some minor corrections as to the specific descriptions used by CONU staff to describe savings attributable to the membership agreement. These include net savings attributable to FTE reductions and associated savings in salaries and benefits among other savings. The preliminary analysis described the savings as being attributable to reduced costs of employee benefits among other savings. \$336,000 in savings attributed to group health insurance purchases in the preliminary analysis was actually attributable to participation in NorDx and MaineHealth Supply Chain services. The final technical error was related to the statement that "The applicants chose not to include expenditures related to updating electronic medical records for this project." The comment should have read that the expenditures while not specifically identified were incorporated in the financial presentation.

A significant point that the applicant wished to clarify was that as appropriate and consistent with Standard and Poor's formula for computing Days Cash on Hand, the applicant has nearly 120 days cash on hand. This difference is attributable to the inclusion or exclusion of limited and board designated funds. This distinction should have been noted more clearly.

The applicant also notified staff that since the application was submitted on March 29, 2012, Goodall hospital has closed one of its long term care (PNMI) facilities.

VI. CONCLUSION:

The Preliminary Analysis by CONU staff dated September 16, 2010, concluded that this application, with conditions, satisfied CONU review criteria. For all the reasons set forth in the Preliminary Analysis, in the record, and considering the clarifying information provided by the applicant, CONU concludes that the review criteria have been satisfied and recommends the approval of a CON with conditions.

RECOMMENDATION:

The CONU recommends this proposal be **Approved with the following conditions:**

1. Within 45 days of CON approval, MaineHealth and H.D. Goodall Hospital 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 H.D. Goodall Hospital 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 makes 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 attributable to 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.