



Department of Health  
and Human Services  
*Maine People Living  
Safe, Healthy and Productive Lives*

Paul R. LePage, Governor

Mary C. Mayhew, Commissioner

Department of Health and Human Services  
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October 2, 2013

Ms. M. Michelle Hood, FACHE  
President and CEO  
Eastern Maine Healthcare Systems  
The Cianchete Building  
43 Whiting Hill Road  
Brewer, Maine 04412

**RE: Eastern Maine Healthcare Systems acquisition of control of Mercy Hospital**

Dear Ms. Hood:

This letter will serve as notification that, on this date, I have decided to **grant with conditions** a Certificate of Need (CON) that authorizes Eastern Maine Healthcare Systems (EMHS) to acquire control of Mercy Hospital.

My approval is conditioned on the following:

1. The applicant will report cost savings attributable to the merger for three years.
2. For the three years following commencement of the CON, Mercy Hospital will notify the Division of Licensing and Regulatory Services of any proposed change to the Free Care policy or Charity Care policy of the Hospital no less than 90 days before the proposed change is to go into effect.

In order for this CON to remain valid, the project must be "commenced" within one year from the date of the original approval noted above. You must complete implementation reports on your activities as specified for this type of Project (CON Procedures Manual, Chapter 11, Sec. 3). Limited extensions may be available, if requested in a timely manner and for good cause, as explained in the Manual, Chapter 9, Sec. 3. Failure to commence the project within this 12-month period will result in expiration of the CON, unless an extension is obtained, as cited above.

I am granting this CON with conditions because I have determined that the project meets the criteria set forth in the CON Act Sec. 335 (1) and the Departments regulations. The specific details of the project for which I have granted this CON are contained in the record.

Please be aware that in accordance with Section 346 of the Maine Certificate of Need Act this Certificate, as modified herein, is valid only for the stated scope, premises and facility named in the above referenced application and is not transferable or assignable.

Furthermore, it should be clearly understood that our analysis and findings regarding the need for the proposed project, as well as its financial and economic feasibility, are predicated on the application record as described in the Manual, Chapter 8, Subsection 5. Consequently, the proposal must be implemented consistent with the approval stated in this letter, as informed and clarified by the Department's analysis and findings as summarized in the following Department staff reports:

1. FINAL REVIEW: Briefing memo to Mary C. Mayhew, Commissioner, DHHS, dated August 29, 2013.

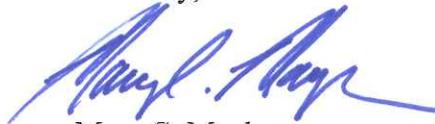
No significant changes to the project, no variations from the projected operating costs, no modifications of the terms of financing the project, and no increase in the capital expenditures to be made are permitted without the prior written approval of the Department. Any such variances may result in either the disallowance of related expenses, financial penalties or the immediate revocation of the Certificate of Need.

Please work closely with my staff in HealthCare Oversight to assure this project is implemented in accordance with the provisions of this Certificate and applicable rules and regulations. As part of this requirement, you are reminded that, prior to any construction, the appropriate licensing and certification and State Fire Marshal officials must approve all working drawings and construction specifications.

The Certificate of Need statute requires that a holder of a CON make a written report at the end of each six-month period following its issuance. Details regarding this and related requirements will be made the subject of a separate letter from HealthCare Oversight.

My staff will work with you as necessary.

Sincerely,



Mary C. Mayhew  
Commissioner

MCM/klv

cc: Kenneth Albert, Director  
Phyllis Powell, Assistant Director  
Larry Carbonneau, Manager  
Herb Downs, Audit  
Janine Raquet, AAG  
File