

# BRIEFING MEMO

## Henrietta D. Goodall Hospital, Inc.

### Henrietta D. Goodall Hospital Inc. to become a member of MaineHealth (Subsequent Review)

**DATE:** November 20, 2013

**TO:** Mary C. Mayhew, Commissioner, DHHS

**THROUGH:**  Ken Albert III, Director, Division of Licensing and Regulatory Services

**FROM:** Phyllis Powell, Assistant Director, Medical Facilities  
Larry Carbonneau, Senior Health Care Financial Analyst  
Richard S. Lawrence, Senior Health Care Financial Analyst

**SUBJECT:** Southern Maine Health Care, Merger of Henrietta D. Goodall Hospital located in Sanford, Maine and Southern Maine Medical Center Maine located in Biddeford, Maine

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**ISSUE ACTIVATED BY:** The referenced proposal requires Certificate of Need (CON) subsequent review as defined in "The Maine Certificate of Need Act of 2002," 22 MRSA §331 et seq., as amended.

**REGISTERED AFFECTED PARTIES:** None

#### **I. BACKGROUND:**

H.D. Goodall Hospital, Inc., (Goodall) 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, Berwick, Kennebunk, Kennebunkport, Lebanon, Sanford, Shapleigh, and Waterboro. This area is described as central and western York County.

Webber Hospital Association d/b/a Southern Maine Medical Center (SMMC), located in Biddeford, Maine, is a non-profit healthcare corporation that is the parent of Southern Maine Medical Center, a 150-bed acute care community hospital, and several other healthcare related entities located in northern York County, Maine.

Southern Maine Medical Center became a subsidiary of MaineHealth based on a CON issued on March 12, 2009. H.D. Goodall Hospital Inc. became a subsidiary of MaineHealth based on a CON issued August 10, 2012. In addition, Southern Maine Health Care, a subsidiary of Maine Health was established. Both Henrietta D. Goodall Hospital and Southern Maine Medical Center became subsidiaries of Southern Maine Health Care. The formation of Southern Maine Health Care was described in the CON application for the acquisition of control of Goodall Hospital.

Henrietta D. Goodall Hospital, Inc. was issued a Certificate of Need on August 10, 2012 to become a member of MaineHealth.

On October 31, 2013 MaineHealth requested a subsequent review to its original 2012 CON. Changes to the original scope of the Certificate of Need would include merging Henrietta D. Goodall Hospital, Inc. with Southern Maine Medical to form a new combined hospital to be known as Southern Maine Health Care and eliminating inpatient labor and delivery at the Sanford campus and limiting surgery at the Sanford location.

The statute allows the department to make an affirmative decision within 30 days of the filing of the subsequent review request or the requesting party may file a new application.

## II. PROJECT DESCRIPTION:

Southern Maine Health Care and Henrietta D. Goodall Hospital would be merged into Southern Maine Medical Center. The surviving entity, Southern Maine Medical Center will be renamed Southern Maine Health Care. The surviving hospital will have two campuses, one in Biddeford and one in Sanford. The structure of this merger allows the current services of Henrietta D. Goodall hospital to be part of Southern Maine Health Care's licenses and Medicare provider agreements (formerly SMMC).

Southern Maine Health Care (SMHC) will not provide inpatient labor and delivery care at the Sanford facility. Inpatient labor and delivery care would be consolidated at Southern Maine Health Care's Biddeford location. Scheduled surgery at the Sanford campus would occur between 7 a.m. and 5 p.m.; after hours and weekend surgery will be consolidated at the Biddeford location.

The applicant has stated that continued capital review and programmatic planning has led the applicants to believe that further consolidation of the activities of the two southern hospitals in the MaineHealth system would improve financial outcomes and decrease the need for capital improvements. The relocation of labor and delivery services to the Biddeford location enables Southern Maine Health Care to avoid \$3,000,000 in capital expenditure upgrades to the Sanford Obstetrical Unit.

Projected savings from the consolidation would be increased by 157% from the reported projected savings from the original CON application.

### 3<sup>rd</sup> Year Incremental Cost Savings

\$1,285,168	Prior Estimated 3 <sup>rd</sup> Year Incremental Cost Savings
<u>\$2,024,511</u>	Estimated Additional 3 <sup>rd</sup> Year Incremental Cost Savings
<u>\$3,309,679</u>	Total Estimated Incremental Cost Savings

### Capital Costs

\$ 0	Capital Costs approved with original CON
<u>\$3,000,000</u>	Projected savings resulting from relocation
<u>\$3,000,000</u>	Total Projected Capital Cost Savings

The proposed changes improve the financial viability of the original project.

### III. HIGHLIGHTS:

Letter of Intent dated: January 16, 2012  
CON application filed: March 28, 2012  
CON approval issued: August 10, 2012  
Subsequent Review requested October 23, 2013  
Decision Period Ends: November 23, 2013

### IV. RECOMMENDATION:

The Certificate of Need Unit recommends **Approval with conditions** of MaineHealth's request for changes to its initial Certificate of Need to incorporate the scope of the subsequent review request.

1. SMHC will report on patient volume for both the labor and delivery care and after hours surgery at the Biddeford campus for a period of three years from merger date.
2. SMHC will report cost savings attributable to this merger for a period of three years from merger date.
3. SMHC will report any planned reduction in existing health services available in the greater Sanford and Biddeford communities for a period of three years from merger date.
4. SMHC will report improvements in quality outcomes attributable to this merger for a period of three years from merger date.