Date: November 11, 2019

Project: MaineHealth Merger with Mid Coast-Parkview

Proposal by: MaineHealth

Prepared by: Larry Carbonneau, Manager, Health Care Oversight
Richard S. Lawrence, Senior Health Care Financial Analyst

Directly Affected Party: None

**CON Recommendation:** Approval

<table>
<thead>
<tr>
<th>Proposed Per Applicant</th>
<th>CON Adjustment</th>
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<td>Estimated Capital Expenditure</td>
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<td>Total Capital Expenditure with Contingency</td>
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<tr>
<td>Pro-Forma Marginal Operating Costs</td>
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I. Abstract

A. From Applicant

Overview
MaineHealth (MH) and Mid Coast-Parkview Health (MCPH) have concluded that it is in the best interests of the residents of the Mid Coast Hospital service area that MCPH become a fully integrated part of the MH system. This is an application for approval of the proposed merger of MCPH and MH.

Demographic and Industry Trends Driving the Need for the Transaction
A rapidly changing healthcare landscape is placing extreme pressure on independent hospital systems. Challenges include lagging government reimbursements, acquiring new and often expensive technologies, a shortage of physicians and other clinical personnel and competition from for-profit medical providers.

An aging patient population is driving acuity higher, necessitating more care coordination between community hospitals and tertiary care centers.

Independent hospital organizations like MCPH are concluding that the best way to continue to provide quality care and support community health is to join with a hospital system that can leverage operational and clinical expertise along with economies of scale.

After thorough investigation, MCPH’s board and executive leadership has concluded that a merger with MH offers the best opportunity to continue its tradition of excellent service to the Mid Coast region.

Meeting Public Need with an Orderly and Economic Transaction that Promotes Appropriate Utilization
MCPH has been a strategic affiliate of MH since 1999, a relationship driven in large part by the fact that MH’s flagship tertiary care hospital, Maine Medical Center and its specialty physicians, has over many years served as primary referral partners for Mid Coast Hospital and its physicians. By becoming a fully integrated part of MH, MCPH will strengthen clinical pathways to acute and specialty care provided at MH. MCPH will also make itself more attractive when recruiting physicians and other clinicians because of the resources and wider opportunities afforded within MH. The transaction will also allow MCPH to fully leverage the scale of MH to manage administrative overhead and increase its purchasing power. MH and MCPH combined resources will enable necessary investments in technology, notably replacement of MCPH’s dated electronic medical records system with the industry-leading EPIC platform.

The transaction will also better position MCPH to promote community health with additional resources and clinical expertise aimed directly at the priorities identified in the Sagadahoc County Community Health Needs Assessment: cancer, cardiovascular disease and behavioral health.

The proposed transaction would bring no significant changes to facilities or services, avoiding any risk of promoting inappropriate utilization. Nor would it alter historical referral patterns, which would continue to be based on patient need, patient preference and the resources available and
accessible to the patient. MH and MCPH will continue to be participants in Maine Health Accountable Care Organization, promoting quality care at lower cost.

The unified governance structure put into place by MH would assure that voices in the communities served by MCPH would be heard, with a strong local board and representation for MCPH on the MH Board of Trustees.

Summary
The board and executive leadership of MCPH have concluded that becoming a fully integrated part of MH is in the best interests of MCPH’s patients and the communities it serves. MH and MCPH are therefore submitting this application for approval of a merger. The transaction will strengthen clinical pathways, advance community health and wellbeing, reduce overhead and enable critical investment. As a health care system, MH is both an excellent fit and the only practicable fit for MCPH, given the historic relationship between the two partners and a governance structure at MH that enables local voices to be heard. Most importantly, the transaction will provide MCPH with a sustainable path forward in an environment that is becoming increasingly difficult for independent hospital systems.

CONU Comment #1:
This transaction is subject to Certificate of Need (CON) review per MRS Title 22, Chapter 103-A §329 (1). A certificate of need from the department is required for: Transfer of ownership, acquisition by lease, donation, transfer; acquisition of control.

CONU Comment #2:
CONU requested and received a summary of the proposed merger from MaineHealth (MH):

MaineHealth – Mid Coast – Parkview Health Integration Plan Summary

Under the proposed MaineHealth-Mid Coast-Parkview Health Integration Plan, Mid Coast Hospital will cease to exist as a separate corporation. Its assets and liabilities will be assumed by MaineHealth, and its operations as a hospital will be akin a Mid Coast Hospital health system division with MaineHealth. Almost all of the current employees of Mid Coast-Parkview Health will become employees of MaineHealth. The financial, human resource, and information technology systems (including electronic medical record systems) of Mid Coast Hospital will be fully integrated into MaineHealth’s existing systems. MaineHealth will also replace Mid Coast-Parkview Health as the parent company of the current operating subsidiaries of Mid Coast-Parkview Health – Mid Coast Senior Health Center and Community Health and Nursing Services.

Notwithstanding these fundamental changes, there are various provisions within the Integration Plan intended to maintain the integrity of the Mid Coast-Parkview Health system as an operating health care unit. The current Board of Directors Trustees of Mid Coast-Parkview Health will transform into a standing board committee within MaineHealth. This committee, which will be known within MaineHealth as the Mid Coast Hospital “Local Board,” will have plenary authority over credentialing, quality and patient safety at Mid Coast Hospital. This committee will also be directly involved in the formation of strategic plans and budgets for Mid Coast Hospital, and generally overseeing operations at Mid Coast Hospital. The committee will also oversee activities at Mid Coast Senior Health Center and Community Health and Nursing Services. Prior to
2025, none of the health care services currently provided by Mid Coast-Parkview Health can be discontinued, or significantly changed, without the approval of this committee. In addition, $40 million of assets of the merged entity will be earmarked for a Community Health Improvement Fund, to be used for community health improvement activities in the Mid Coast Hospital and LincolnHealth (i.e., Lincoln County) service areas.

The Integration Plan also specifies that persons overseeing the operations of the Mid Coast Hospital health system will be involved with the governance and management of MaineHealth. Until 2024, the Mid Coast “Local Board” will select a candidate for service on the MaineHealth Board of Trustees. Mid Coast will participate on the MaineHealth President’s Council, Chief Financial Officers’ Council, Chief Medical Officer’s Council, Chief Nursing Officers Council, and other oversight entities within MaineHealth.

These integration provisions mirror the arrangements that MaineHealth has made with its other hospital and health systems in Maine when they “unified” as hospital corporations into a single corporation on January 1, 2019. Under the MaineHealth-Mid Coast-Parkview Health Integration Plan, Mid Coast Hospital and its “Local Board” will have the same stature, responsibilities and prerogatives in its service area that Southern Maine Health Care, LincolnHealth, Franklin Community Health Network and other MaineHealth health systems and their respective local boards have in their respective service areas.

Completion of the Integration Plan will not occur all at once, because of the times need by federal and state agencies to enroll Mid Coast Hospital physicians as MaineHealth providers in Medicare and MaineCare programs, process changes in facilities’ licenses, and the integration of systems. For this reason, MaineHealth and Mid Coast-Parkview Health will begin to implement their integration by first completing a more modest “change of control” type transaction, in which MaineHealth will be substituted as Mid Coast-Parkview Health’s ultimate controlling member with power to elect Mid Coast-Parkview Health trustees, but Mid Coast Hospital will remain intact as a separate corporation. Sometime thereafter – the parties are targeting four to six months -- after the parties have arranged for the requisite changes in enrollment and licensing, Mid Coast Hospital will be merged into MaineHealth, and the Plan will then be more fully implemented.
II. Fit, Willing and Able

A. From Applicant

a. MaineHealth
MaineHealth
110 Free St.
Portland, ME, 04101
https://mainehealth.org/

b. MaineHealth Overview
MaineHealth (MH) is a not-for-profit integrated health system consisting of eight local hospital systems, a comprehensive behavioral health care network, diagnostic services, home health agencies and more than 19,462 employees (June 2019). It is the largest health system in northern New England and provides preventive care, diagnosis and treatment to 1.1 million residents in Maine and New Hampshire.

In keeping with its vision of “working together so our communities are the healthiest in America,” MH organizations work together to offer a wide range of community programs focused on disease management, prevention and population health. In 2017, the MH system provided more than $451 million in community health programs or services without reimbursement or other compensation.
c. Vision, Mission & Values

Vision:

Working together so our communities are the healthiest in America.

Mission:

MaineHealth is a not-for-profit health system dedicated to improving the health of our patients and communities by providing high quality affordable care, educating tomorrow's caregivers and researching better ways to provide care.

Values:
Patient Centered: We focus on each individual's unique needs and partner with the people we care for, their families and care teams to develop a shared plan.

Respect: We embrace diversity and recognize the value of each person.

Integrity: We are honest, transparent and ethical and maintain a culture of trust and accountability.

Excellence: We set high standards and always strive to exceed expectations.

Ownership: We take responsibility for our actions, follow through on our commitments and approach challenges with optimism.

Innovation: We welcome diverse perspectives, embrace change and are committed to lifelong learning.

d. MaineHealth Service Area

MH's service area is defined in the following manner:


Secondary: Aroostook, Hancock, Penobscot, Piscataquis and Washington counties.

e. MaineHealth’s Experience as Owner and Operator of Healthcare Organizations

As of January 1, 2019, MaineHealth unified all member organizations which include:

Maine Medical Center (MMC)

With its predecessors incorporated as early as 1864, MMC is the state’s largest medical center, licensed for 637 beds and employing nearly 8,700 people. MMC is both a community hospital and a tertiary referral center. It operates the state's only allopathic medical school through its partnership with Tufts University School of Medicine and conducts biomedical research through the Maine Medical Center Research Institute. U.S. News & World Report named MMC Maine’s Best Regional Hospital in 2018-19. As a not-for-profit institution, MMC provides nearly 23 percent of all the charity care delivered in Maine.
The Commonwealth Fund, a nonprofit foundation dedicated to measuring and improving the performance of healthcare organizations nationally, ranked the Portland, Maine, region as a top performer in 2016, placing it in the top 20 percent of more than 300 across the country. Portland’s position in the Commonwealth Fund’s 2016 Scorecard Ranking for Overall Local Health System Performance was supported by the region’s strong performance in “prevention and treatment” as well as measures related to “healthier lives.”

Southern Maine Health Care (SMHC)
Southern Maine Health Care includes a full service, acute care medical center in Biddeford, with York County’s only inpatient mental health unit. Emergency care, surgical services and diagnostic and therapy services are available at SMHC’s Medical Centers in Biddeford and Sanford. SMHC offers primary care and multi-specialty physician services, diagnostic and therapy services and Walk-In Care centers in various York County communities including Biddeford, Kennebunk, Saco, Sanford and Waterboro. SMHC is Joint Commission accredited and has been recognized for quality excellence by numerous outside organizations.

Coastal Healthcare Alliance
On December 1, 2015, Pen Bay Medical Center and Waldo County General Hospital began operating as one healthcare system called Coastal Healthcare Alliance, offering shared services and programs to Maine’s Midcoast region.

- **Pen Bay Medical Center (PBMC) and Related Entities**
  PBMC is a full service, acute care medical center in Rockport and is the largest community hospital in the Midcoast region of Maine. PBMC provides emergency care, surgical services, behavioral health services and diagnostic and therapy services and operates Pen Bay Physicians & Associates, Quarry Hill Retirement Community and the Knox Center for Long Term Care. PBMC provides a continuum of both routine and specialty patient-centered medical services. PBMC is Joint Commission accredited and has been recognized for quality and excellence by numerous outside organizations.

- **Waldo County General Hospital (WCGH) and Related Entities**
  WCGH is a critical access hospital serving the healthcare needs of Waldo County through four health centers, home health and hospice services, public health nursing, physicians’ offices and educational programs. *Becker’s Hospital Review* named it one of 67 Critical Access Hospitals to Know in 2019.

**LincolnHealth**
With campuses in the coastal communities of Boothbay Harbor and Damariscotta, Maine, LincolnHealth is a full-service healthcare system with more than 1,000 full and part-time employees. LincolnHealth is the largest employer in Lincoln County.

- **LincolnHealth – Miles Campus**
In the Damariscotta area, the LincolnHealth – Miles Campus includes a 25-bed critical access hospital; Lincoln Medical Partners, a multi-specialty physician practice; Cove’s Edge, a skilled rehabilitation and long-term care facility; and Chase Point, an assisted living facility which includes Riverside, a residence for people living with Alzheimer’s and related dementia. The Miles campus is also home to Schooner Cove, an independent retirement community.

- **LincolnHealth – St. Andrews Campus**

  In Boothbay Harbor, the LincolnHealth–St. Andrews Campus provides Urgent Care, a Wound Care Center and outpatient hospital services. Also located on the campus is LincolnHealth Medical Partner’s Family Care Center and Maine Behavioral Healthcare’s Wellness Independence in a Supportive Environment (WISE) program. St. Andrews Villages provides assisted living, independent living, long-term nursing care, skilled rehabilitation and Safe Havens Memory Care.

**Franklin Community Health Network (FCHN)**

FCHN is an integrated network of rural healthcare providers created by Franklin Memorial Hospital in 1991. Its affiliates include Franklin Memorial Hospital, a 70-bed community hospital; Franklin Health, a network of primary care, specialty and women’s health physician practices; the Healthy Community Coalition of Greater Franklin County; and NorthStar EMS. Franklin Community Health Network is one of the largest employers in the region. The network serves a geographic area larger than the state of Rhode Island and offers critical healthcare services to residents of some of Maine’s most rural communities.

**Memorial Hospital**

Memorial Hospital is a 25-bed critical access hospital located in North Conway, New Hampshire. Its hospital services include a 24-hour emergency department, surgery center, clinical laboratory, heart health & wellness programs, family birthing center, sleep center, wound care and hyperbaric medicine center and the Miranda Center for Diabetes. Physician practices include primary care and family medicine, women’s health, orthopedics, sports medicine, surgery and urology. The Merriman House, a nursing home, is also located on the hospital campus. Together, Memorial’s staff and providers are committed to meeting the health needs of the Mt. Washington Valley and surrounding communities by collaborating with community partners in the delivery of accessible, comprehensive and compassionate health care.

**Western Maine Health (WMH)**

WMH is committed to providing healthcare services and education to the communities it serves. As one of the largest employers in the community, WMH offers a range of inpatient and outpatient services through Stephens Memorial Hospital, a 25-bed critical access hospital, Western Maine Multi Medical Specialists school-based health clinics and community educational programs.

**Maine Behavioral Healthcare (MBH)**

MBH is the behavioral healthcare service for the entire MH system. The organization was created in 2014 when five corporate entities merged to provide an integrated continuum of comprehensive, coordinated health care for Maine residents of all ages. MBH is the largest behavioral health organization in northern New England. It includes Spring Harbor Hospital, southern Maine’s only nonprofit, private psychiatric hospital and a broad range of community-based intensive and
outpatient treatment services offered at some 30 service locations from York to Farmington to Belfast.

**MaineHealth Care at Home (MHCH)**

MHCH was formed in 2016 as the result of merging three home health organizations across the MH system. MHCH is a fully licensed 501(c)(3) not-for-profit organization providing a full range of skilled home health services to children and adults, including nursing care, rehabilitative therapies, nutritional counseling, social work, palliative care and telehealth. In addition, MHCH offers a full range of community health and wellness programs, private duty services and Lifeline support throughout its service area. The organization provides hospice services in the Midcoast region and operates the Sussman House in Rockland, Maine, as well as Miles & St. Andrews Home Health and Hospice in Damariscotta, Maine, and Boothbay Harbor, Maine. Services are offered seven days a week, including 24-hour on-call nursing services, throughout York, Cumberland, Lincoln, Knox, Waldo, Sagadahoc and southern Oxford counties.

**NorDx**

NorDx is the largest regional laboratory in Maine, providing a full range of laboratory services including anatomic pathology, microbiology, molecular diagnostics and HLA (transplant lab) services to hospitals, networks, physician offices, post-acute and long-term care providers, managed care organizations and employer groups throughout the region.

**MaineHealth Accountable Care Organization (MHACO)**

The MHACO was formed in 2016, succeeding to and enhancing the functions formerly performed by the MMC Physician-Hospital Organization and Community Physicians of Maine. The MHACO serves as the provider and contracting arm of the MH system, affiliate organizations and independent physician groups. Through this organization, the health system has entered into multiple contracts to care for covered beneficiaries under value-based arrangements, including the Medicare Shared Savings Program and similar contracts with commercial insurance organizations. Through the ACO, MH actively seeks to prepare for risk-based contracts in the future.

f. **Fit, Willing and Able**

MH is fit, willing and able to successfully execute the proposed merger and maintain the high-level of care that Mid Coast – Parkview Health (MCPH) currently provides, as demonstrated by, among other factors, the quality of health care provided in the past by MH hospitals and previous experience merging local health systems in Maine. MH recently completed a merger of all Maine members into one operating entity effective January 1, 2019. In addition, MH has experience with transactions similar to the proposed transaction. For example, the LincolnHealth merger of St. Andrews Hospital and Miles Memorial Hospital, the MaineHealth acquisition of Franklin Community Health Network, and The Coastal Healthcare Alliance merger of PenBay Healthcare and Waldo County Healthcare.

The Certificate of Need Act states:

"If the applicant is a provider of health care services that are substantially similar to those services being reviewed and is licensed in the State, the requirements of this paragraph are deemed to have been met if the services previously provided in the State by the applicant are consistent with applicable licensing and certification standards." (22 M.R.S.A §335, sub-1 §7 A)
MH is a provider of services that are substantially similar to those services offered by MCPH and MH has experience with large-scale mergers of healthcare service providers in the State of Maine.

Please refer to Error! Reference source not found..

**g. Awards and Recognitions**
MH and its hospitals have received quality awards from The Joint Commission, The Leapfrog Group, *U.S. News & World Report* and more:

- *U.S. News & World Report* named Maine Medical Center a Best Regional Hospital for 2018-19.
- Maine Medical Center has been granted Magnet recognition by the American Nurses Credentialing Center three times in a row, an honor that only 2 percent of U.S. hospitals have achieved.
- Maine Medical Center, Pen Bay Medical Center and Southern Maine Health Care are accredited by the American College of Surgeons Commission on Cancer.
- Maine Medical Center’s Breast Care Center and Southern Maine Health Care’s Center for Breast Care are accredited by the National Accreditation program for Breast Centers (NAPBC) for providing the highest standards of care.
- All MH and affiliate hospitals in the state are Gold Star recognized for their efforts to create smoke and tobacco-free campus environments for patients, employees and community members.
- Franklin Memorial Hospital, Maine Behavioral Healthcare, Maine Medical Center, Pen Bay Medical Center and Southern Maine Health Care have been recognized by The Joint Commission’s Top Performer on Key Quality Measures® program.
- LincolnHealth and Waldo County General Hospital were recognized by The Leapfrog Group as top rural hospitals in the United States for 2018.

**h. Financial Stability**
Please refer to Section III. – Economic Feasibility which demonstrates MH’s financial stability.

**B. CONU Discussion**

**i. CON Standards**

Relevant standards 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. If the applicant is a provider of health care services that are substantially similar to those services being reviewed, and is licensed in the State, the requirements of this paragraph are deemed to have been met if the services previously provided in the State by the applicant are consistent with applicable licensing and certification standards.

**ii. CON Analysis**

MaineHealth was established to lead a community care network which provides a broad range of health care services for Maine and Northern New England. MaineHealth’s subsidiaries and affiliated organizations provide services along the full continuum of care in order to improve the health status of the population it serves. MaineHealth is a not-for-profit integrated health system consisting of eight local hospital systems including their flagship hospital Maine Medical Center.
(MMC). MMC is the state’s largest medical center. It is licensed for 637 beds and employs nearly
than 8,700 people. MMC has a unique role as both a community hospital and a referral center.
This required a large breadth of services. MMC has provided more than $200 million annually in
community benefits, delivering care to those who need it, regardless of their ability to pay.

Mid Coast-Parkview Health (MCPH) is a healthcare organization offering a full continuum of
health care services including a full-service hospital (Mid Coast Hospital), Mid Coast Senior
Health and CHANS Home Health and Hospice. MCPH is a clinical affiliate of MaineHealth. This
affiliation provides a strong connection for tertiary care with MMC in Portland facilitating any
necessary transfers. This close collaboration promotes greater quality of care and makes healthcare
more efficient and cost effective. MCPH’s Mid Coast Hospital is a 93-bed, full service hospital
with an active medical staff of 200 physicians and advanced practice professionals. Mid Coast
Hospital provides Surgical Services, Maternity Care, Behavioral Health Services, 24-hour
Emergency care, Medical/Surgical/Pediatrics, Laboratory, Intensive Care, Diagnostic Imaging,
Cardiac Catheterization, Interventional Radiology, Rehab and Therapy, and an array of community
health and wellness programs aimed at preventing and managing chronic diseases.

The goal of this merger is to strengthen clinical pathways, advance community health and
wellbeing, reduce overhead and enable critical investment. Independent hospitals face an
increasingly difficult environment. This merger will provide MCPH with a sustainable future.

In order to determine if the applicant is fit, willing and able the CONU will utilize selected
components of the four quality measures listed below for MMC and Mid Coast Hospital.

- Survey of patients’ experiences
- Timely and effective care
- Complications and death
- Unplanned hospital visits

These quality measures are available at https://www.medicare.gov/hospitalcompare/search.html.
CONU will summarize and analyze the latest data from the website. Data collected was from
April 1, 2012 through June 30, 2016. (Data was downloaded from website – May 4, 2017).

1.) Survey of patients’ experiences:

Hospital Consumer Assessment of Healthcare Providers and Systems is a national survey that asks
patients about their experiences during a recent hospital stay. The following chart summarizes
results for MMC and Mid Coast Hospital and compares them to Maine and National averages.

<table>
<thead>
<tr>
<th>PATIENT SURVEY RESULTS</th>
<th>MMC</th>
<th>Mid Coast</th>
<th>MAINE AVERAGE</th>
<th>NATIONAL AVERAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Patients who reported that their nurses “Always” communicated well</td>
<td>82%</td>
<td>82%</td>
<td>84%</td>
<td>81%</td>
</tr>
<tr>
<td>Patients who reported that their doctors “Always” communicated well</td>
<td>82%</td>
<td>83%</td>
<td>83%</td>
<td>81%</td>
</tr>
<tr>
<td>Patients who reported that they “Always” received help as soon as they wanted</td>
<td>65%</td>
<td>70%</td>
<td>73%</td>
<td>70%</td>
</tr>
<tr>
<td>Patients who reported that staff “Always” explained about medicines before giving it to them</td>
<td>65%</td>
<td>64%</td>
<td>69%</td>
<td>66%</td>
</tr>
<tr>
<td>Patients who reported that their room and bathroom were “Always” clean</td>
<td>69%</td>
<td>77%</td>
<td>79%</td>
<td>75%</td>
</tr>
<tr>
<td>Patients who reported that the area around their room was “Always” quiet at night</td>
<td>53%</td>
<td>49%</td>
<td>60%</td>
<td>62%</td>
</tr>
<tr>
<td>Patients who reported that YES, they were given information about what to do during their recovery at home</td>
<td>89%</td>
<td>85%</td>
<td>89%</td>
<td>87%</td>
</tr>
<tr>
<td>Patients who “Strongly Agree” they understood their care when they left the hospital</td>
<td>55%</td>
<td>52%</td>
<td>56%</td>
<td>53%</td>
</tr>
<tr>
<td>Patients who gave their hospital a rating of 9 or 10 on a scale from 0 (lowest) to 10 (highest)</td>
<td>76%</td>
<td>75%</td>
<td>76%</td>
<td>73%</td>
</tr>
<tr>
<td>Patients who reported YES, they would definitely recommend the hospital</td>
<td>81%</td>
<td>76%</td>
<td>75%</td>
<td>72%</td>
</tr>
</tbody>
</table>

The patient survey results shown above indicate that MMC scores below Maine averages in seven out of ten categories and above National averages in five of ten categories. Mid Coast Hospital scores below Maine averages in seven out of ten categories and above National averages in six of ten categories.

2.) Timely and Effective Care:
These measures show how often or how quickly hospitals provide care that research shows gets the best results for patients with certain conditions. This information can help compare which hospitals give recommended care most often as part of the overall care they provide to patients. We looked at available data pertaining to heart attack care, emergency department care, preventive care, blood clot prevention and medical imaging.
### Timely Heart Attack Care

<table>
<thead>
<tr>
<th>Average (median) number of minutes before outpatients with chest pain or possible heart attack who needed specialized care were transferred to another hospital LOWER Number of minutes is better</th>
<th>MMC</th>
<th>Mid Coast</th>
<th>Maine Average</th>
<th>National Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>NA</td>
<td>NA</td>
<td>88 min</td>
<td>64 min.</td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Average (median) number of minutes before outpatients with chest pain or possible heart attack got an ECG LOWER Number of minutes is better</th>
<th>MMC</th>
<th>Mid Coast</th>
<th>Maine Average</th>
<th>National Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>NA</td>
<td>4 min.</td>
<td>7 min.</td>
<td>8 min.</td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Outpatients with chest pain or possible heart attack who got drugs to break up blood clots within 30 minutes of arrival HIGHER percentages are better</th>
<th>MMC</th>
<th>Mid Coast</th>
<th>Maine Average</th>
<th>National Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>NA</td>
<td>80%</td>
<td>72%</td>
<td>58%</td>
<td></td>
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</table>

### Timely Emergency Dept. Care

<table>
<thead>
<tr>
<th>Percentage of patients who left the emergency dept. before being seen LOWER percentages are better</th>
<th>MMC</th>
<th>Mid Coast</th>
<th>Maine Average</th>
<th>National Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>3%</td>
<td>1%</td>
<td>2%</td>
<td>2%</td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Percentage of patients who came to the emergency department with stroke symptoms who received brain scan results within 45 min. of arrival HIGHER percentages are better</th>
<th>MMC</th>
<th>Mid Coast</th>
<th>Maine Average</th>
<th>National Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>NA</td>
<td>86%</td>
<td>62%</td>
<td>72%</td>
<td></td>
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</table>

<table>
<thead>
<tr>
<th>Average (median) time patients</th>
<th>MMC</th>
<th>Mid Coast</th>
<th>Maine Average</th>
<th>National Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>383</td>
<td>323</td>
<td>390</td>
<td>334</td>
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</table>
spent in the emergency dept. before they were admitted to the hospital as an inpatient
LOWER number of min. is better

<table>
<thead>
<tr>
<th></th>
<th>153</th>
<th>139</th>
<th>122</th>
<th>144</th>
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<tbody>
<tr>
<td>Average (median) time</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>spent in the</td>
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<tr>
<td>emergency dept.</td>
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<tr>
<td>after the doctor</td>
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<tr>
<td>decided to admit</td>
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<tr>
<td>them as an inpatient</td>
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<tr>
<td>before leaving the</td>
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<tr>
<td>emergency dept. for</td>
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<td></td>
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<tr>
<td>their inpatient room</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LOWER number of min.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>is better</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>242</th>
<th>159</th>
<th>183</th>
<th>172</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average (median) time</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>spent in the</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>emergency dept.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>before leaving from</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>the visit</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LOWER number of min.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>is better</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Preventive Care

<table>
<thead>
<tr>
<th>Patients assessed and given influenza vaccination</th>
<th>94%</th>
<th>100%</th>
<th>96%</th>
<th>93%</th>
</tr>
</thead>
<tbody>
<tr>
<td>HIGHER percentages are better</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Healthcare workers given influenza vaccination</th>
<th>91%</th>
<th>92%</th>
<th>89%</th>
<th>89%</th>
</tr>
</thead>
<tbody>
<tr>
<td>HIGHER percentages are better</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Blood clot prevention

<table>
<thead>
<tr>
<th>Patients who developed a blood clot while in the hospital who didn't get treatment that could have prevented it</th>
<th>0%</th>
<th>NA</th>
<th>1%</th>
<th>3%</th>
</tr>
</thead>
<tbody>
<tr>
<td>LOWER percentages are better</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Use of medical imaging

<p>| Outpatients with low-back pain who had an MRI without trying recommended treatments (like physical therapy) first | 35% | 29.20% | 38.30% | 38.70% |</p>
<table>
<thead>
<tr>
<th>(If a number is high, it may mean the facility is doing too many unnecessary MRI's for back pain)</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Outpatients who had a follow-up mammogram, breast ultrasound, or breast MRI within the 45 days after a screening mammogram. (A follow-up rate near 0% may indicate missed cancer; a rate higher than 14% may mean there is unnecessary follow-up)</td>
<td>5.80%</td>
<td>6.60%</td>
<td>6.80%</td>
<td>8.90%</td>
</tr>
<tr>
<td>Outpatient CT scans of the abdomen that were combination (double) scans (If a number is high, it may mean that too many patients have a double scan when a single scan is all they need.)</td>
<td>3%</td>
<td>4.60%</td>
<td>4.30%</td>
<td>6.90%</td>
</tr>
<tr>
<td>Outpatient CT scans of the chest that were combination (double) scans (If a number is high, it may mean that too many patients have a double scan, when a single scan is all they need) LOWER percentages are better</td>
<td>1.10%</td>
<td>0%</td>
<td>0.40%</td>
<td>1.40%</td>
</tr>
<tr>
<td>Outpatient who got cardiac imaging stress test before low-risk outpatient surgery (If a number is high, it may mean that too many cardiac scans were done prior to low-risk surgeries)</td>
<td>3.90%</td>
<td>4.70%</td>
<td>4%</td>
<td>4.70%</td>
</tr>
<tr>
<td>Outpatients with brain CT scans who got a sinus CT scan at the same time (If a number is high, it may mean that too many patients have both</td>
<td>1%</td>
<td>0.80%</td>
<td>0.80%</td>
<td>1.20%</td>
</tr>
</tbody>
</table>
a brain and sinus scan, when a single scan is all they need)

MMC and Mid Coast are consistent with or slightly better than Maine averages but lag behind National averages (where information is available).

3). **Complications and deaths:**
Patients who are admitted to the hospital for treatment of medical problems sometimes get other serious injuries, complications, or conditions, and may even die. Some patients may experience problems soon after they are discharged and need to be admitted to the hospital again. These events can often be prevented if hospitals follow best practices for treating patients.

<table>
<thead>
<tr>
<th></th>
<th>MMC</th>
<th>Mid Coast</th>
<th>Maine Average</th>
<th>National Average</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Surgical complications</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rate of complications for hip/knee replacement patients</td>
<td>B</td>
<td>ND</td>
<td>NA</td>
<td>2.50%</td>
</tr>
<tr>
<td>Serious complications</td>
<td>ND</td>
<td>ND</td>
<td>NA</td>
<td>1</td>
</tr>
<tr>
<td>Deaths among patients with serious treatable complications after surgery</td>
<td>ND</td>
<td>NA</td>
<td>NA</td>
<td>163.01</td>
</tr>
</tbody>
</table>

| **30-day death rates** |     |           |               |                 |
| Death rate for COPD patients | ND  | ND        | NA            | 8.50%           |
| Death rate for heart attack patients | ND  | ND        | NA            | 12.90%          |
| Death rate for heart failure patients | ND  | W         | NA            | 11.50%          |
| Death rate for pneumonia patients | W   | ND        | NA            | 15.60%          |
| Death rate for stroke patients | W   | ND        | NA            | 13.80%          |
Death rate for CABG surgery patients | ND | NA | NA | 3.10%

B = Better, W = Worse, ND = No Different, NA = Not Available

MMC scores no different than the National benchmark in six instances, better than the National benchmark in one instance and worse than the National benchmark in two instances. Mid Coast scores no different than the National benchmark in six instances and worse than the National benchmarks in one instance.

4.) Unplanned Hospital Visits:
Returning to the hospital for unplanned care disrupts patients’ lives, increases their risk of harmful events like healthcare associated infections, and costs more money. Hospitals that give high quality care can keep patients from returning to the hospital and reduce their stay if they have to come back.

| Rate of readmission for COPD patients | ND | ND | NA | 19.50%
| Rate of readmission for heart attack patients | B | ND | NA | 15.70%
| Rate of readmission for heart failure patients | B | ND | NA | 21.60%
| Rate of readmission for pneumonia patients | ND | ND | NA | 16.60%
| Rate of readmission for coronary artery bypass graft surgery patients | ND | NA | NA | 12.80%
| Rate of readmission after hip or knee replacement | B | ND | NA | 4%
| Rate of unplanned hospital visits after an outpatient colonoscopy | ND | ND | NA | 14.80%
The results displayed above show that MMC performed better than the national rate for unplanned hospital visits in 4 instances and no different than the national rate in 4 instances. Mid Coast performs no different than national averages in 7 instances.

CONU also used the Hospital Compare website to get the overall rating of MMC and Mid Coast. MMC received an overall rating of 5 out of 5 stars and Mid Coast received an overall rating of 4 out of 5 stars. This overall rating summarized up to 57 quality measures across seven areas of quality into a single star rating for each hospital. Hospitals report data to the Centers for Medicare & Medicaid Services (CMS) through the Hospital Inpatient Quality Reporting (IQR) Program and the Hospital Outpatient Quality Reporting (OQR) Program. The following table illustrates the national distribution of the overall star rating for the 4,573 participating hospitals:

<table>
<thead>
<tr>
<th>National Distribution of Overall Star Ratings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall Rating</td>
</tr>
<tr>
<td>5 stars</td>
</tr>
<tr>
<td>4 stars</td>
</tr>
<tr>
<td>3 stars</td>
</tr>
<tr>
<td>2 stars</td>
</tr>
<tr>
<td>1 star</td>
</tr>
<tr>
<td>N/A</td>
</tr>
</tbody>
</table>

The results above indicate that MMC’s 5-star rating and Mid Coast’s 4-star rating put it in the top tier of national overall star ratings.

Survey Results
The results of the most recent surveys for MMC and Mid Coast Hospitals are as follows:

Federal Survey
The latest full Federal CMS Survey was completed on February 27, 2019. A summary statement of deficiencies is on file at CONU. A providers’ plan of correction was submitted for all deficiencies and after the completion of a revisit survey on June 20, 2019 MMC was determined to be in substantial compliance with 42 Code of Federal Regulations Part 482, the Condition of Participation: Patient’s Rights, Physical Environment, and Infection Control.

Federal Hospital Complaint
MMC

A Federal Complaint investigation (#31388, #31382 and #31463) was completed August 14, 2019. The investigation found that the hospital was not in substantial compliance with 42 CFR Part 482, Condition of Participation: Governing Body (§482.12, Patient Rights (§482.13), and Quality Assessment and Performance Improvement Program (§482.21). Details of these complaints are on file at Department of Health and Human Services, Division of Licensing and Certification. These conditional level deficiencies place MMC on a Medicare termination track until an acceptable plan of correction is submitted.

Due to this survey CON requested and received plan of action from MaineHealth which is included below:

*CMS conducted a site survey at MMC to respond to complaints of alleged abuse in August 2019. MMC submitted a plan of correction shortly following this survey which was accepted by CMS. The plan included actions related to better preparing staff to recognize and respond to alleged abuse as well as provide patients and families with the appropriate patient rights information in a timely fashion. All actions outlined in the plan were implemented by the deadline on October 30, 2019. MMC is prepared for the follow up CMS survey which could occur any time before the end of 2019 and expects no further issues.*

Mid Coast Hospital

A Federal Hospital Validation survey revisit was completed on March 10, 2014 and Mid Coast Hospital is in compliance with 42 CFR Part 482, Conditions of Participation for Hospitals.

A Federal Complaint investigation was completed on July 10, 2019 to evaluate compliance with 42 CFR Part 482, Condition of Participation: Patient Rights (§482.13). This survey determined that the hospital was in substantial compliance with 42 CFR Part 482, Condition of Participation: Patient Rights and no deficiencies were identified.

State Survey

MMC

On October 24, 2018, a State Licensure complaint investigation (ME00029059) was conducted at MMC Center. It was determined that MMC, an Acute Care Hospital, is in substantial compliance with State of Maine 10-144 C.M.R. Ch. 112: Rules for the Licensing of Hospitals.

Mid Coast Hospital

On March 14, 2018, a State Licensure complaint investigation (ME00027270) was conducted at Mid Coast Hospital. It was determined that Mid Coast Hospital was in compliance with the State of Maine Rules for the Licensing of Hospital, 10-144 C.M.R. Ch. 112.

Deeming of Standard
As provided for at 22 M.R.S. § 335 (7)(A), if the applicant is a provider of health care services that are substantially similar to those services being reviewed and is licensed in the State, the requirements of this paragraph are deemed to have been met if the services previously provided in the State by the applicant are consistent with applicable licensing and certification standards.

There is an opportunity for improvement in some MMC publicly available quality measures.

I. Conclusion

The CONU recommends that the Commissioner find 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.
III. Economic Feasibility

A. From Applicant

a. Capacity of the Applicant to Support the Project

Please refer to Exhibit III-a. MCPH Audited Financial Statements. These documents demonstrate MCPH’s ability to govern and manage its subsidiaries, including MCH.

MH, as evidenced by its Standard and Poor’s A+ credit rating, equivalent rating of A1 from Moody’s Investors Service and its financial statements, has the financial capacity to support this transaction. These documents demonstrate MH’s sound financial footing and ability to govern and manage its subsidiaries. Please refer to Exhibit III-d. Moody's Investor Service Credit Opinion and Exhibit III-e. S&P Global Ratings, Maine Health for more information.

In addition, MaineHealth has experience as an owner and an operator of healthcare organizations as discussed in the Fit, Willing, and Able Section e.

Please refer to Exhibit III-a. MCPH Audited Financial Statements.

The CON Unit Financial Forecast Module is attached as Error! Reference source not found. Exhibit III-c. Financial Module.

The CON Financial Module excludes from Net Book Value the costs of physician practice office space and all IT capital costs.

i. Ability of the Applicant to Establish and Operate the Project

In order to determine that an applicant’s ability to establish and operate the project in accordance with existing and anticipated rules, the Certificate of Need Act states:

“If the applicant is a provider of health care services that are substantially similar to those services being reviewed and is licensed in the State, the applicant is deemed to have fulfilled the requirements of this subparagraph if the services provided in the State by the applicant during the most recent 3-year period are of similar size and scope and are consistent with applicable licensing and certification standards.”

22 MRSA §335 7.B.(2)

MH members and MCPH operating entities including MCPH have been providing substantially similar healthcare services to those services being reviewed for years in a manner that has been consistent with applicable licensing and certification standards.

As of the Effective Date, MaineHealth Services will become the sole member of MCPH. MCPH will, in turn, retain the same sole membership interest in MCH that it currently holds. It is expected that during FY2020, a further transaction will occur by which Mid Coast Hospital will be merged with MH, which holds licenses for eight other MH hospitals. MCH intends to notify the Maine DHHS, Division of Licensing and Regulatory Services, that MaineHealth Services will become sole member of MCH’s parent, MCPH, as of the Effective Date. MCH also intends to file a Medicare “change of information” with respect to the information currently contained in its CMS Forms 855A and 855B noting MaineHealth Services status as sole member of its parent, MCHP, as of the Effective Date. MCH understands that MaineHealth Services’ sole membership in MCPH as contemplated by the Proposed Transaction is not a change of ownership (CHOW) for purposes of Medicare participation and that providing the change of information notification to CMS complies
with Medicare’s enrollment requirements. MCH will retain its current Medicare/MaineCare provider numbers on and after the Effective Date.

B. CONU Discussion

i. CON Standards

Relevant standards 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.
- 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. If the applicant is a provider of health care services that are substantially similar to those services being reviewed and is licensed in the State, the applicant is deemed to have fulfilled the requirements of this subparagraph if the services provided in the State by the applicant during the most recent 3-year period are of similar size and scope and are consistent with applicable licensing and certification standards.

ii. CONU Analysis

In order to assess the financial stability of MH, the CONU used financial ratios to measure profitability, liquidity, capital structure and asset efficiency. CONU looked at both MMC (MH’s flagship hospital) as well as Mid Coast past financial results to determine the economic feasibility of this transaction. Financial ratios were obtained from the Maine Health Data organization Hospital Financial Information Part 1 and Maine health Data Organization Hospital Financial Data Definitions available on MHDO’s website http://mhdo.maine.gov/mhdo/. Additional information was obtained from the 2017 Almanac of Hospital Financial and Operating Indicators.

PROFITABILITY RATIOS

CONU used three profitability ratios to measure the applicant’s ability to produce a profit (excess of revenue over expenses). Hospitals cannot be viable in the long term without an excess of revenues over expenditures. Cash flow would not be available to meet normal cash requirements needed to service debt and investment in fixed or current assets. Profitability has a large impact on most other ratios. For example, low profitability may adversely affect liquidity and sharply reduce the ability to pay off debt.

Operating margin: The operating margin is the most commonly used financial ratio to measure a hospital’s financial performance. The operating margin measures the proportion of operating revenue retained as income and measures the hospital’s profitability from providing patient care and other hospital operations.
This ratio is calculated as follows: **Operating Income/Total Operating Revenue**

<table>
<thead>
<tr>
<th>Operating Margin</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maine Medical</td>
<td>4.91%</td>
<td>7.78%</td>
<td>7.68%</td>
<td>9.08%</td>
<td>9.25%</td>
</tr>
<tr>
<td>Mid Coast</td>
<td>1.38%</td>
<td>2.54%</td>
<td>1.91%</td>
<td>.66%</td>
<td>1.65%</td>
</tr>
<tr>
<td>All Maine Hospital Median</td>
<td>0.07%</td>
<td>(0.93%)</td>
<td>0.23%</td>
<td>(0.54%)</td>
<td>0.78%</td>
</tr>
<tr>
<td>National Median</td>
<td>NAV</td>
<td>NAV</td>
<td>NAV</td>
<td>NAV</td>
<td>NAV</td>
</tr>
</tbody>
</table>

Performance implications: Increasing values are favorable

**Net Operating Income (Loss):** Net operating income is calculated by subtracting operating expense from operating revenue. This measure is used to look at how a hospital’s net operating income performed in comparison with last years’ figure and whether or not there is a positive or negative trend in the future.

<table>
<thead>
<tr>
<th>Net Operating Income (Loss)</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maine Medical</td>
<td>$47,011,000</td>
<td>$76,986,000</td>
<td>$83,409,000</td>
<td>$111,332,000</td>
<td>$125,477,000</td>
</tr>
<tr>
<td>Mid Coast</td>
<td>$1,737,702</td>
<td>$3,463,574</td>
<td>$2,907,171</td>
<td>$1,150,582</td>
<td>$3,030,564</td>
</tr>
<tr>
<td>All Maine Hospital Median</td>
<td>$101,000</td>
<td>($251,339)</td>
<td>$194,646</td>
<td>($341,747)</td>
<td>$533,127</td>
</tr>
<tr>
<td>National Median</td>
<td>NAV</td>
<td>NAV</td>
<td>NAV</td>
<td>NAV</td>
<td>NAV</td>
</tr>
</tbody>
</table>

**Return on Equity:** This ratio defines the amount of excess revenue over expenses and losses earned per dollar of equity investment. Most not-for-profit hospitals received their initial, start-up equity capital from religious, educational, or governmental entities, and today some hospitals continue to receive funding from these sources. However, since the 1970s, these sources have provided a much smaller proportion of hospital funding, forcing not-for-profit hospitals to rely more on excess revenue over expenses and outside contributions. Many analysts consider the Return on Equity measure a primary indication of profitability. A hospital may not be able to obtain equity capital in the future if it fails to maintain a satisfactory value for this ratio. This ratio was calculated as follows: **Excess of Revenue over Expenses/Fund Balance-Unrestricted**

<table>
<thead>
<tr>
<th>Return on Equity</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maine Medical</td>
<td>10.51%</td>
<td>13.58%</td>
<td>15.44%</td>
<td>20.96%</td>
<td>20.96%</td>
</tr>
<tr>
<td>Mid Coast</td>
<td>4.12%</td>
<td>5.63%</td>
<td>5.79%</td>
<td>3.15%</td>
<td>4.58%</td>
</tr>
<tr>
<td>All Maine Hospital Median</td>
<td>3.97%</td>
<td>4.19%</td>
<td>2.06%</td>
<td>.04%</td>
<td>7.56%</td>
</tr>
<tr>
<td>National Median</td>
<td>5.70%</td>
<td>7.30%</td>
<td>7.00%</td>
<td>5.00%</td>
<td>NAV</td>
</tr>
</tbody>
</table>

Performance implications: Increasing values are favorable

**Trends:** Nationally many hospitals were showing improvements.

**LIQUIDITY RATIOS**
CONU used three liquidity ratios to measure the applicant’s ability to meet short-term obligations and maintain cash position. A poor liquidity ratio would indicate that the hospital is unable to pay current obligations as they come due.

**Current Ratio:** Current ratio is a liquidity ratio that measures a company’s ability to pay short-term obligations. The ratio is mainly used to determine if the hospital is able to pay back its short-term liabilities (debt and payables with its short-term assets (cash, inventory, receivables). From an evaluation standpoint, high values for the Current Ratio imply a high likelihood of being able to pay short-term obligations. A ratio under 1 suggests that the hospital would be unable to pay off its obligations if they came due at that point.

This ratio is calculated as follows: **Total Current Assets/Total Current Liabilities**

<table>
<thead>
<tr>
<th>Current Ratio</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maine Medical</td>
<td>2.24</td>
<td>2.05</td>
<td>2.05</td>
<td>2.23</td>
<td>2.15</td>
</tr>
<tr>
<td>Mid Coast</td>
<td>1.68</td>
<td>1.87</td>
<td>1.90</td>
<td>1.91</td>
<td>2.04</td>
</tr>
<tr>
<td>All Maine Hospital Median</td>
<td>1.65</td>
<td>1.63</td>
<td>1.70</td>
<td>1.91</td>
<td>1.83</td>
</tr>
<tr>
<td>National Median</td>
<td>2.03</td>
<td>2.13</td>
<td>2.18</td>
<td>2.17</td>
<td>NAV</td>
</tr>
</tbody>
</table>

*Without Board Designated/Undesignated Investments

**Performance implications:** Increasing values are favorable

**Trends:** The Current Ratio continues to show improvements across many hospitals. This continued improvement implies that hospitals are generally well managing their liquidity.

**Days Cash on Hand (Current):** Days cash on hand is a common measure that gives a snapshot of how many days of operating expenses a hospital could pay with its current cash available. High values for this ratio usually imply a greater ability to meet short-term obligations and are viewed favorably by creditors.

This ratio is calculated as follows: **Cash & Investments + Current Assets Who’s Use is Limited/Total Advertising + Salaries & Benefits + Other Operating Expenses + Interest/365 days**

<table>
<thead>
<tr>
<th>Days Cash on Hand (Current)</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maine Medical</td>
<td>108.6</td>
<td>77.3</td>
<td>137.9</td>
<td>141.4</td>
<td>153.1</td>
</tr>
<tr>
<td>Mid Coast</td>
<td>21.9</td>
<td>19.4</td>
<td>15.1</td>
<td>13.9</td>
<td>17.5</td>
</tr>
<tr>
<td>All Maine Hospital Median</td>
<td>29.6</td>
<td>26.4</td>
<td>28.3</td>
<td>18.8</td>
<td>18.2</td>
</tr>
<tr>
<td>National Median</td>
<td>34.1</td>
<td>35.2</td>
<td>29.9</td>
<td>42.6</td>
<td>NAV</td>
</tr>
</tbody>
</table>
Performance implications: Increasing values are favorable

**Average Payment Period:** This ratio provides a measure of the average time that elapses before current liabilities are paid. Creditors regard high values for this ratio as an indication of potential liquidity problems.

This ratio is calculated as follows: \( \text{Total Current Liabilities/total Advertising + Salaries & Benefits + Other Operating Expenses + Interest/365} \)

<table>
<thead>
<tr>
<th>Average Payment Period*</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maine Medical</td>
<td>73.6</td>
<td>63.7</td>
<td>94.0</td>
<td>89.7</td>
<td>100.6</td>
</tr>
<tr>
<td>Mid Coast</td>
<td>53.2</td>
<td>50.5</td>
<td>51.0</td>
<td>44.0</td>
<td>43.8</td>
</tr>
<tr>
<td>All Maine Hospital Median</td>
<td>73.6</td>
<td>76.5</td>
<td>75.5</td>
<td>71.5</td>
<td>57.9</td>
</tr>
<tr>
<td>National Median</td>
<td>52.5</td>
<td>55.3</td>
<td>54.1</td>
<td>56.4</td>
<td>NAV</td>
</tr>
</tbody>
</table>

*Current Liabilities

Performance implications: Decreasing values are favorable.

Trends: Nationally, this ratio has been creeping upwards during the last five years. Large hospitals have some of the higher values as do hospitals with low operating margins.

**CAPITAL STRUCTURE RATIOS**

CONU used three capital structure ratios in order to measure the applicant’s capacity to pay for any debt. The hospital industry has radically increased its percentage of debt financing over the past two decades making this ratio vitally important to creditors who determine if a hospital is able to increase its debt financing. The amount of funding available to a hospital directly impacts its ability to grow.

**Debt Service Coverage:** This ratio measures the amount of cash flow available to meet annual interest and principal payments on debt. A DSCR of less than 1 would mean a negative cash flow. This ratio is calculated as follows: \( \text{Excess of Revenue over Expenses + Depreciation + Interest/Interest + Previous Years Current LTD} \)

<table>
<thead>
<tr>
<th>Debt Service Coverage</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maine Medical</td>
<td>9.12</td>
<td>12.72</td>
<td>16.27</td>
<td>21.26</td>
<td>27.97</td>
</tr>
<tr>
<td>Mid Coast</td>
<td>3.76</td>
<td>4.16</td>
<td>4.33</td>
<td>3.58</td>
<td>4.60</td>
</tr>
<tr>
<td>All Maine Hospital Median</td>
<td>2.90</td>
<td>2.79</td>
<td>2.99</td>
<td>2.09</td>
<td>2.90</td>
</tr>
<tr>
<td>National Median</td>
<td>2.64</td>
<td>2.68</td>
<td>3.37</td>
<td>3.06</td>
<td>NAV</td>
</tr>
</tbody>
</table>

Performance implications: Increasing values are favorable
Cash Flow to Total Debt: This coverage ratio compares a company’s operating cash flow to its total debt. This ratio provides an indication of a hospital's ability to cover total debt with its yearly cash flow from operations. The retirement of debt principal is not a discretionary decision. It is a contractual obligation that has definite priority in the use of funds. Therefore, a decrease in the value of the Cash Flow to Total Debt ratio may indicate a future debt repayment problem. The higher the percentage ratio, the better the company’s ability to carry its total debt. This ratio is calculated as follows: Excess of Revenue over Expenses + Depreciation/Total Current Liabilities + Total Non-Current Liabilities

<table>
<thead>
<tr>
<th>Cash Flow to Total Debt</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maine Medical</td>
<td>26.95%</td>
<td>27.66%</td>
<td>20.33%</td>
<td>21.40%</td>
<td>26.38%</td>
</tr>
<tr>
<td>Mid Coast</td>
<td>15.82%</td>
<td>19.06%</td>
<td>19.28%</td>
<td>15.34%</td>
<td>16.97%</td>
</tr>
<tr>
<td>All Maine Hospital Median</td>
<td>12.28%</td>
<td>9.07%</td>
<td>10.70%</td>
<td>9.46%</td>
<td>14.44%</td>
</tr>
<tr>
<td>National Median</td>
<td>20.20%</td>
<td>23.40%</td>
<td>22.40%</td>
<td>17.30%</td>
<td>NAV</td>
</tr>
</tbody>
</table>

Performance implications: Increasing values are favorable.

Fixed Asset Financing: This ratio defines the proportion of net fixed assets (gross fixed assets less accumulated depreciation) financed with long-term debt. This ratio is used by lenders to provide an index of the security of the loan. This ratio is calculated as follows: Long Term Debt/Net Plant, Property & Equipment

<table>
<thead>
<tr>
<th>Fixed Asset Financing</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maine Medical</td>
<td>22.78%</td>
<td>21.62%</td>
<td>30.93%</td>
<td>30.43%</td>
<td>28.44%</td>
</tr>
<tr>
<td>Mid Coast</td>
<td>55.39%</td>
<td>52.80%</td>
<td>46.18%</td>
<td>43.38%</td>
<td>46.61%</td>
</tr>
<tr>
<td>All Maine Hospital Median</td>
<td>50.83%</td>
<td>44.85%</td>
<td>43.67%</td>
<td>45.83%</td>
<td>47.31%</td>
</tr>
<tr>
<td>National Median</td>
<td>55.10%</td>
<td>54.20%</td>
<td>43.80%</td>
<td>51.30%</td>
<td>NAV</td>
</tr>
</tbody>
</table>

Performance implications: Decreasing values are favorable.

Trends: Nationally, this ratio has declined for the last three years.

ASSET EFFICIENCY RATIOS

CONU used two asset efficiency ratios. These ratios measure the relationship between revenue and assets.

Total asset turnover ratio: Provides an index of the number of revenue dollars generated per dollar of asset investment. Higher values for this ratio imply greater generation of revenue from a limited resource base and are sometimes viewed as a positive indication of efficiency. This ratio is affected by the age of the plant being used by the hospital. This ratio is calculated as follows: Total Operating Revenue + Total non-operating Revenue/Total Unrestricted Assets
### Total Asset Turnover

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maine Medical</td>
<td>0.93</td>
<td>0.90</td>
<td>0.85</td>
<td>0.88</td>
<td>0.88</td>
</tr>
<tr>
<td>Mid Coast</td>
<td>0.89</td>
<td>0.91</td>
<td>0.97</td>
<td>1.07</td>
<td>1.05</td>
</tr>
<tr>
<td>All Maine Hospital Median</td>
<td>1.14</td>
<td>1.14</td>
<td>1.18</td>
<td>1.22</td>
<td>1.41</td>
</tr>
<tr>
<td>National Median</td>
<td>1.00</td>
<td>0.98</td>
<td>0.99</td>
<td>0.98</td>
<td>NAV</td>
</tr>
</tbody>
</table>

**Performance Implications:** Increasing values are favorable

**Trends:** Nationally, these values have held fairly steady for the last several years.

**Fixed Asset Turnover Ratio:** Measures the number of revenue dollars generated per dollar of fixed asset investment. High values for this ratio may imply good generation of revenue from a limited fixed asset base and are usually regarded as a positive indication of operating efficiency. This ratio is calculated as follows: *Total Operating Revenue/Net Plant, Property, & Equipment*

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maine Medical</td>
<td>2.21</td>
<td>2.28</td>
<td>2.47</td>
<td>2.75</td>
<td>2.87</td>
</tr>
<tr>
<td>Mid Coast</td>
<td>2.32</td>
<td>2.51</td>
<td>2.59</td>
<td>2.96</td>
<td>2.91</td>
</tr>
<tr>
<td>All Maine Hospital Median</td>
<td>2.80</td>
<td>2.94</td>
<td>3.02</td>
<td>3.04</td>
<td>3.15</td>
</tr>
<tr>
<td>National Median</td>
<td>NAV</td>
<td>NAV</td>
<td>NAV</td>
<td>NAV</td>
<td>NAV</td>
</tr>
</tbody>
</table>

**Performance Implications:** Increasing values are favorable

**CONU Summary of Financial Ratios:** Below is a chart summarizing the percentage of time MMC Meets or exceeds Maine or National medians:

<table>
<thead>
<tr>
<th>MAINE MEDICAL CENTER</th>
<th>RATIO</th>
<th>MAINE</th>
<th>NATIONAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profitability</td>
<td>Operating Margin</td>
<td>100%</td>
<td>NAV</td>
</tr>
<tr>
<td>Profitability</td>
<td>Net Operating Income</td>
<td>100%</td>
<td>NAV</td>
</tr>
<tr>
<td>Profitability</td>
<td>Return on Equity</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Liquidity</td>
<td>Current Ratio</td>
<td>100%</td>
<td>50%</td>
</tr>
<tr>
<td>Liquidity</td>
<td>Days Cash on Hand</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Liquidity</td>
<td>Avg. Payment Period</td>
<td>40%</td>
<td>0%</td>
</tr>
<tr>
<td>Capital Structure</td>
<td>Debt Service Coverage</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Capital Structure</td>
<td>Cash Flow to Total Debt</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Capital Structure</td>
<td>Fixed Asset Financing</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Asset Efficiency</td>
<td>Total Asset Turnover</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>------------------</td>
<td>---------------------</td>
<td>-----</td>
<td>-----</td>
</tr>
<tr>
<td>Asset Efficiency</td>
<td>Fixed Asset Turnover</td>
<td>0%</td>
<td>NAV</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>MID COAST</th>
<th>RATIO</th>
<th>MAINE</th>
<th>NATIONAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profitability</td>
<td>Operating Margin</td>
<td>100%</td>
<td>NAV</td>
</tr>
<tr>
<td>Profitability</td>
<td>Net Operating Income</td>
<td>100%</td>
<td>NAV</td>
</tr>
<tr>
<td>Profitability</td>
<td>Return on Equity</td>
<td>80%</td>
<td>0%</td>
</tr>
<tr>
<td>Liquidity</td>
<td>Current Ratio</td>
<td>100%</td>
<td>0%</td>
</tr>
<tr>
<td>Liquidity</td>
<td>Days Cash on Hand</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Liquidity</td>
<td>Avg. Payment Period</td>
<td>100%</td>
<td>75%</td>
</tr>
<tr>
<td>Capital Structure</td>
<td>Debt Service Coverage</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Capital Structure</td>
<td>Cash Flow to Total Debt</td>
<td>100%</td>
<td>0%</td>
</tr>
<tr>
<td>Capital Structure</td>
<td>Fixed Asset Financing</td>
<td>25%</td>
<td>50%</td>
</tr>
<tr>
<td>Asset Efficiency</td>
<td>Total Asset Turnover</td>
<td>0%</td>
<td>25%</td>
</tr>
<tr>
<td>Asset Efficiency</td>
<td>Fixed Asset Turnover</td>
<td>0%</td>
<td>NAV</td>
</tr>
</tbody>
</table>

MMC meets or exceeds Maine performance averages in 8 out of 11 measures and exceeds National Averages in 5 out of 8 measures. Mid Coast meets or exceeds Maine performance averages in 7 out of 11 measures and meets or exceeds National Averages in 2 out of 8 measures.

The applicant addressed this section by submitting their Certificate of Need financial module, MaineHealth and Subsidiaries Fiscal Year Ending September 30, 2018 and 2017 audited financial statements prepared by KPMG LLP, Moody’s Investors Service Credit Opinion (June 25, 2019), and S&P Global Ratings Report (June 20, 2019) as documentation for MIH’s ability to support the project financially over its useful life.

The applicant’s Certificate of Need financial module for year 1 through year 4 of the proposed project (2019 through 2022) shows sufficient revenues to cover the incremental increase in operating expense associated with this project. Based on MH’s 9/30/2018 consolidated balance sheet and consolidated statements of operations MMC has sufficient financial resources (Cash of $353,300,000, Investments of $497,533,000 and Income from Operations of $67,892,000) to support this proposed project in the event that financial projections are not realized. Moody’s Investors Service has rated MH as A1 stable. This is an upper-medium grade and subject to low credit risk. In summary Moody’s Investor Service states:

“MaineHealth (A1 stable) will benefit from a leading market position as the largest health system in Maine. The system will continue to grow from strong patient demand, aided by capital investments to alleviate capacity constraints. MaineHealth’s successful completion of a major corporate consolidation will strengthen system governance, while continuing centralization will drive operating efficiencies over time. Margins will continue to improve from these initiatives as
well as a reduction in self-pay business following recent Medicaid expansion in Maine. Offsets include a moderate liquidity position that will remain constrained over the next several years because of high capital spending. Further, although anticipated, an additional debt borrowing next year will keep balance sheet leverage somewhat elevated.

S&P Global Ratings revised its outlook to positive from stable and affirmed its A+ rating on Maine Health & Higher Educational Facilities Authority’s series 2018A, taxable 2018B, and 2014 bonds issued for MaineHealth. S&P Global Ratings affirmed its A+ issuer credit rating on MaineHealth. An A+ rating means this is an investment grade bond and MaineHealth has a strong capacity to repay the debt. In summary S&P Global Ratings states:

“The positive outlook reflects a trend of improved and reliable financial performance, benefits from MaineHealth’s January restructuring to form a more closely aligned system, and longer-term opportunities from the ongoing expansion in Portland, which is on time and on budget. The positive outlook also incorporates an expected $160 million of additional debt in 2020 to complete a subsequent phase of capital projects at Maine Medical Center (MMC), the system’s Portland based flagship, although we will make a final assessment about the rating at the time of issuance. Further supporting the rating and positive outlook is MaineHealth’s robust enterprise profile with a dominant presence in southern, western, and coastal Maine, including in Portland, the state’s largest city”.

As noted by the applicant MH has significant experience in successfully completing transactions very similar to the proposed merger. These include the LincolnHealth merger of St. Andrews Hospital and Miles memorial Hospital and the Coastal healthcare Alliance merger of PenBay Healthcare and Waldo County Healthcare. MH recently completed a merger of all Maine members into one operating entity effective January 1, 2019.

A review of Mid Coast – Parkview Health and Subsidiaries September 30, 2018 and 2017 shows that Mid Coast is currently achieving positive operating results (Income from operations of $1, 218,831) and has significant assets on its balance sheet. In spite of this strong financial position there are several financial challenges on the horizon. Mr. Robert McCue, CFO of Mid Coast addressed these challenges at the September 24, 2019 meeting in Brunswick, ME:

Mid Coast needs to replace its IT system at an estimated cost of $20,000,000, with additional annual costs of close to $5,000,000.

There is an increasing number of for-profit niche providers of outpatient healthcare services who do not have to provide care regardless of the ability to pay, take all-comers and stay open 24/7 when volumes do not offset operating costs.

There is an increasing migration of inpatient services to larger high-volume medical centers which is a threat to viability of hospitals like Mid-Coast.

Post-affiliation, MH will be able to add Mid Coast to its IT platform (Epic) for less than $1,000,000 due to economies of scale. Joining MH will make sure that there is a non-profit alternative to for-
profit medicine. Due to MH commitment to building their hospital system and investment in infrastructure it is estimated that over $3,000,000 could be saved through this merger.

CONU is not aware of any upcoming regulatory changes which would adversely affect this proposed project.

iii. Conclusion

CONU RECOMMENDATION: CONU recommends that the Commissioner determine that the applicant has 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

Applicants for a Certificate of Need 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 proposed change of control and ultimate merger of MaineHealth (MH) and Mid Coast – Parkview Health (MCPH). It is the proposed transaction that requires CON review and approval. As a result, this application addresses the public need in the context of the benefits of the proposed merger.

a. Recent History of Hospital and Health System Consolidation

The healthcare environment in Maine has witnessed several consolidations in the last few years. An April 2019 article by MaineBiz listed new standards in services, new technologies, cost containment and sustainability as reasons for Maine healthcare providers’ consolidation efforts.\(^1\) Another April 2019 article by the Bangor Daily News explains some reasons why Maine hospitals are teaming up instead of competing.\(^2\) Since 2014, the following hospital and health system mergers and acquisitions have taken place.

<table>
<thead>
<tr>
<th>Year</th>
<th>Mergers/Consolidations</th>
</tr>
</thead>
</table>
| 2014 | • LincolnHealth – Merger of Miles Memorial Hospital and St. Andrews Hospital  
   • MaineHealth – Acquisition of Franklin Community Health Network |
| 2015 | • Northern Light – Merger of Eastern Maine Healthcare Systems and Maine Coast Healthcare Corporation  
   • MaineHealth – Merger of PenBay Healthcare and Waldo County Healthcare  
   • Mid Coast – Parkview Health – Merger of Mid Coast Health Services and Parkview Adventist Medical Center Hospital |
| 2016 |  |
| 2017 | • Mercy Hospital – Consolidation of State Street and Fore River Campuses |
| 2018 |  |
| 2019 | • Northern Light – Merger with Mayo Regional Hospital |

b. Mid Coast – Parkview Health Service Area

Primary: Bowdoinham, Brunswick, Freeport, Harpswell, Topsham, Durham, Bowdoin, Dresden, Richmond, Bath, Edgecomb, Phippsburg, Wiscasset, Woolwich;

Secondary: Pownal, Lisbon, Alna, Boothbay, Boothbay Harbor, Nobleboro, Southport

c. Maine Medical Center Service Area

Primary: Cumberland and York counties;

Secondary: Androscoggin, Franklin, Kennebec, Knox, Lincoln, Oxford, Sagadahoc, Somerset and Waldo counties and Carroll County, New Hampshire;

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Tertiary: Aroostook, Hancock, Penobscot, Piscataquis and Washington counties as well as Out of State.

The MCPH and MMC service areas overlap, however, the services provided at MMC to residents of MCPH’s service area are primarily different from the services provided at MCPH. MMC is a tertiary care hospital that provides advanced care to the State of Maine. MCPH is a community-based hospital offering services appropriate for the scale of their service area. The apparent overlapping of the service areas masks the facts that the services provided by each hospital to residents of MCPH’S service area are different. Figure 2 and Figure 3 below illustrate the medical / surgical mix of services at MCH and MMC for patients within the MCPH service area. These figures demonstrate that MMC’s services to patients within the MCPH service area are 52% surgical while MCH services are only 14% surgical.

Figure 2 - Mid Coast Hospital Patients Medical Surgical Mix, CY 2017

Mid Coast Med/Surg Mix - CY2017

- Med - Surg

Surg
14%

Med
86%

Source: MHDO, 2017
Tertiary services are defined as a set of Medicare severity diagnosis-related groups (MS-DRGs) that are rare and complex and require collaboration across treatment modalities, complex treatment decisions dependent upon unique diagnostic tests, regionalized care and those associated with complex comorbidities and complications. MMC follows Sg2's definition of tertiary services. Sg2 is an international data analytics, intelligence, consulting and educational service company to which MMC subscribes. Additional information about Sg2's tertiary definition can be found in Exhibit IV-a.

d. The Existing Dynamics of Health Services in the Mid Coast – Parkview Health Service Area

The changing landscape of government reimbursement, challenges to maintain access to providers and services, increasing costs to deliver health care and a drive to improve quality are paving the way for many healthcare providers to collaborate and merge.

MCPh has been a strategic affiliate of MH since 1999. The relationship originated and has since developed against a background in which caregivers at MCPh and Maine Medical Center (MMC) were regularly interacting with each other in their care of patients. MMC and its specialists have been, and continue to be, the principal referral hospital and sub-specialty providers for MCPh and its aligned physicians. MCPh’s physicians have participated in MH’s Physician Hospital Organization for many years, since dissolved, and its physicians now participate in MH’s Accountable Care Organization. MCPh also participates in the Maine Heart Center, the MaineHealth Cancer Care Network and other MH multi-hospital service lines.

Maine Medical Center is the top provider of tertiary care for patients in the MCPh service area.
Figure 4 – Inpatient Market Share of Tertiary DRGs, Mid Coast Service Area, CY 2015 - CY 2017

<table>
<thead>
<tr>
<th>Hospital</th>
<th>CY2015</th>
<th>CY2016</th>
<th>CY2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>MMC</td>
<td>302</td>
<td>368</td>
<td>355</td>
</tr>
<tr>
<td>Mid Coast</td>
<td>87</td>
<td>99</td>
<td>103</td>
</tr>
<tr>
<td>CMMC</td>
<td>53</td>
<td>55</td>
<td>46</td>
</tr>
<tr>
<td>Mercy</td>
<td>14</td>
<td>18</td>
<td>19</td>
</tr>
<tr>
<td>Maine General</td>
<td>8</td>
<td>7</td>
<td>12</td>
</tr>
<tr>
<td>St. Mary's</td>
<td>3</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>Lincoln Health</td>
<td>4</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>EMMC</td>
<td>1</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>St. Joseph</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>York</td>
<td>1</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Waldo</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td><strong>473</strong></td>
<td><strong>559</strong></td>
<td><strong>548</strong></td>
</tr>
</tbody>
</table>

Source: MHDO, 2017

The volume of tertiary DRGs is expected to grow for the population aged 65 and older over the next 5 and 10 years.

Figure 5 - Tertiary DRG Forecast, 2023, 2028

<table>
<thead>
<tr>
<th>Age</th>
<th>2023</th>
<th>2028</th>
</tr>
</thead>
<tbody>
<tr>
<td>65-UP</td>
<td>↑12.6%</td>
<td>↑19.1%</td>
</tr>
</tbody>
</table>

Source: Sg2

MH uses Sg2, a healthcare analytics firm, to support service demand forecasting. Sg2 considers many factors when developing service demand forecasts including changes in the population, economics of health care, changes to healthcare payment and policy, innovations in technology and pharmacology and improvements in the systems of care.

j. The Decision-Making Process of MaineHealth and Mid Coast – Parkview Health Governance

In consultation with its own Board leadership, MCPH’s management has determined that the best interests of the residents of the Mid Coast Hospital service area will be advanced if MCPH becomes integrated within a hospital system rather than remain a standalone hospital/healthcare organization. MCPH approached MH and asked MH to consider whether, and on what terms, MH might agree to have MCPH become fully integrated into the MH system.

Starting in late 2018, MH actively engaged in discussions with MCPH management about such an integration, and MCPH constituted its own Board Exploratory Committee to advise its management as the discussions continued. These discussions have culminated in the MCPH MH Integration Plan.

Please refer to attached Exhibit IV-b.

In June 2019, the MCPH Board adopted a resolution to merge MCPH and its subsidiaries with MH. The primary reasons for seeking a merger with MH included:
• The ability to continue to provide high-quality health care;
• Full integration with a system whose vision is to make its communities the healthiest in America, with values very similar to MCPH’s, and which is committed to preserving MCPH’s culture;
• A commitment to fund a $40 million Community Health Improvement Fund, which has a goal of improving the overall health and wellness of the Midcoast region, by reducing disease burden and lowering the cost of health care by keeping people well;
• Active participation in the evolution of care for the region, to create embedded, standardized clinical pathways and care delivery models for patient care;
• To deliver seamless care and evidenced-based precision medicine that is essential to not only the delivery of high-quality acute care but, as importantly, to deliver seamless preventative care through integration with MH’s EPIC EMR system;
• Cost-savings opportunities in the area of administrative overhead;
• An enhanced ability to recruit specialists to the community and to provide training and development of staff.

The MCPH Board’s overarching goal for MCPH is to ensure high-quality care to its patients and the larger community into the future.

Please refer to Exhibit IV-c. and Exhibit IV.d.

k. Why Now?

MH is committed to a mission of caring for and improving the health of all persons through the 11 southern most counties in Maine and Carroll County, New Hampshire. This includes the provision of primary care, community hospital services, preventive health services and the promotion of health and wellness initiatives. Integrating MCPH and its providers of these services into MH advances its mission for the residents of the MCPH service area, which is located predominately in northern Cumberland and Sagadahoc counties.

The 1999 affiliation and collaboration efforts since laid the foundation for this project. Care provided in the MCPH service area is good today but both MH and MCPH boards and management teams believe it can be better, and must be adapted to an emerging health care delivery model that increasingly is regionalized. Now is the right time to complete this merger so that movements of patients between care at MCPH and by its providers and care by MH specialists can be clinically seamless, on the same electronic medical record and without anomalies that drive differences in treatment protocols. The proposed merger will fully integrate MCPH into MH and advance this objective.

MCPH will experience the full benefits of a MH local health system, including:

• Full partnership in MH’s Quality, Health Status Improvements, Population Health Management and Clinical Integration Programs. As a fully integrated part of the MH system, MCPH will participate, as all constituents MaineHealth providers do, in the development and implementation of quality improvement programs, as well as, educational/networking clinical support.

Please refer to Section VII. Service Utilization for further information on these MH initiatives.
• **Access to MH’s Shared Administrative Programs.** As a fully integrated part of the MH system, MCPH will share administrative resources including but not limited to: legal, audit and compliance, financial, strategic planning, program development, marketing, information services and human resources.

• **Access to MH’s Administrative Integration Programs.** As a fully integrated part of the MH system, MCPH will have been gradually converted to MH’s health plan, workers compensation trust, purchasing programs, and vendor contracts, physicians practice management services, professional liability trust, laundry services, investment advisory, banking services and audit services.

As a result of the proposed merger with MH, MCPH’s ability to continue to be a provider of high-quality healthcare services that meet community needs, improve community health and provide access to services regardless of ability to pay and to continue to improve the quality of services will be enhanced.

1. **Community Health Needs Assessment**

The project will enable MCPH as a MH local health system to continue to substantially address specific health problems as measured by health needs in the area to be served.

The Maine Shared Community Health Needs Assessment (CHNA) 2018 report for Sagadahoc County identifies the health needs of the Mid Coast – Parkview Health service area. The 2018 report identifies a need to address cancer, cardiovascular diseases and behavioral health. MCPH is addressing these issues in the following ways.

Please refer to Exhibit IV-e.

1. **Cancer Care in the MCPH Service Area**

The Mid Coast Hospital Center for Cancer Care is a Commission on Cancer accredited program offering a comprehensive, multidisciplinary approach to patient care. MCPH has made significant advances in cancer care in the service area. From increased access to wellness and prevention programs to ongoing quality initiatives, MCPH is continuously looking for ways to improve patient experiences and outcomes. The proposed merger will help MCPH progress towards this goal.

As a clinical affiliate, MCPH was a charter participant in 2012 in the MaineHealth Oncology Service Line discussion and involved in the selection of a national consultant to guide the development of a vision and strategic plan, care delivery model and brand. Two senior leaders, including the president/CEO, Lois Skillings and chief of surgery, Dr. Ira Bird, have been part of the MaineHealth Oncology Leadership Council since its inception. Some of the benefits of the Mid Coast Center for Cancer Care’s membership of the MaineHealth Cancer Care Network include:

• Patients in the MCPH service area have access to clinical trials in their community through the MaineHealth Cancer Care Network and the Maine Medical Center Research Institute;

• MCPH Cancer Care teams have a forum to coordinate patient care with subspecialty teams located in Portland;

• MH care teams provided administrative assistance to MCPH in the early phases of Commission on Cancer (COC) Accreditation process by providing guidance for certified tumor registrar and support in engaging a consultant to guide the MCPH accreditation process. Since becoming COC accredited in 2012, Maine Medical Center/MaineHealth has continued to allow MCPH providers access to professional networking opportunities, quality reviews and education to ensure compliance with COC standards.

2. **MaineHealth Oncology Service Line**
The MaineHealth Cancer Care Network is designed to reduce the need for travel whenever possible by connecting cancer experts with cancer patients. This powerful collaboration brings together nearly 300 of the most talented cancer care providers in northern New England. The MH network is a coordinated system of care led by a team of specialists based in various locations who partner to deliver quality cancer care. The team includes:

- Physicians who have achieved the highest levels of training as surgeons, medical oncologists and radiation oncologists
- Patient navigators who specialize in cancer and help guide patients through their care
- Social workers and nutritionists who provide support that can ease a patient's experience

The MH Network's goal is to provide best evidence-based cancer services as close to home as possible. Physicians and patient navigators help patients access care in the most appropriate network locations, so they receive the right care, in the right location, while minimizing the time and expense of travel.

The proposed merger will enable MCPH and MH to create a joint oncology care team to further improve existing clinical databases, pathways for clinical trials and order sets for chemotherapy administration. This level of integration will assist MH in recruiting medical oncologists to the MCPH community through the connection with a larger network of providers who are able to cover and collaborate in the care of patients as a team.

In 2017, The MaineHealth Oncology Service Line was awarded $10,000,000 from the Harold Alfond Foundation to improve access to cancer care patients. The proposed merger will fully integrate MCPH oncology care teams into the MaineHealth Oncology Service Line so as to take full advantage of this grant.

3. Cardiology Care in the MCPH Service Area

MCPH's Cardiology Care team is board-certified and has extensive experience. The MCPH Cardiology Program is part of the Maine Heart Center Network that actively partners with the MaineHealth Cardiovascular Service Line and the MaineHealth ACO to support cardiovascular program development and clinical care improvements to heart patients at the five-member hospitals: Maine Medical Center, Southern Maine Healthcare, MaineGeneral Medical Center, Mid Coast Hospital and St. Mary's Regional Medical Center.

The MCPH cardiology program has grown over the last 30 years to a team of seven physicians and 3 advanced practice providers. The program is nuclear cardiology and echocardiography accredited through the Intersociety Accreditation Commission and collaborates with MH to provide top level cardiac care to patients in the MCPH service area. MCPH cardiology physicians, Dr. Mills and Dr. Lowenstein, were involved in the creation of the MH Cardiovascular Service Line and remain active members in the steering committee and various subcommittees. The MCPH cardiology program actively works with the MH service line to meet strategic goals and objectives within the MCPH service area. This collaboration benefits patients.

MCPH and MH worked together to establish a community-based diagnostic catheterization service at Mid Coast Hospital over 15 years ago. The diagnostic catheterization service works collaboratively with the interventional catheterization lab at MMC. MCPH is focused on identifying and treating patients with cardiac disease and then reintegrating their care back into the community with the Mid Coast cardiac rehab program. A comprehensive approach exists for patients in the MCPH service area as they move from their local cardiology providers and diagnostic service at Mid Coast Hospital, to the interventional catheterization service at MMC and then back to the MCPH team.
Another example of MCPH’s efforts to keep care in the community is the collaboration with MMC as an academic medical center. The curriculum for cardiology fellows has evolved over the years to exclude certification for pacemaker placement, an existing service at MCPH. Recruiting cardiology physicians who are certified to provide this service has grown increasingly difficult. To address this issue and prevent the loss of pacemaker service at Mid Coast Hospital, MCPH partnered with educators at MMC to provide this training for an MCPH cardiology recruit, Dr. Jablonski. As a result, Dr. Jablonski will have the certifications required to assist with the continuation of MCPH’s pacemaker service, keeping this service in the community.

4. MaineHealth Cardiovascular Service Line
The MaineHealth Cardiovascular Service Line (MHCVSL) actively partners with the Maine Heart Center (MHC) and the MaineHealth Accountable Care Organization (MHACO) to support cardiovascular program development and clinical care improvements for our patients.

The MHC is a nonprofit provider network throughout southern and central Maine dedicated to optimizing quality performance and data exchange, delivering affordable and value-based care and enhancing patient and provider engagement. The MHC was formed with a vision of developing a network where, through a collaborative effort involving hospitals, cardiologists, surgeons, anesthesiologists and consulting specialists, cardiac services are provided at a high standard of quality and on a cost-effective basis. The services are bundled and offered to payers through a packaged price methodology.

The MHCVSL focuses on providing infrastructure for MH local health systems and affiliates to:

- Advance evidence-based care delivery standards
- Promote better care coordination
- Ensure access to the same quality of care across the system;
- Provide efficient and cost-effective access to care to its communities; and
- Enhance care team engagement and wellbeing.

MHCVSL was the first system service line to go-live in 2014. The 2014 system planning effort resulted in a care model that defined (by evidence-based standards) which services would be provided in which MH communities and provided the infrastructure to standardize and improve the quality of the care provided to the residents of our service area.

5. Behavioral Health Care in the MCPH Service Area
MCPH offers a wide range of inpatient and outpatient services for individuals experiencing mental illness, psychological disorders, addiction, or any combination of these conditions. The integrated system of behavioral health services can be accessed throughout MCPH, delivering high-quality, compassionate care in the Mid Coast Hospital Emergency Department and inpatient unit, throughout the Mid Coast Medical Group Primary Care practices and throughout the MCPH elder care services.

With an emphasis on dignity and respect for those seeking care, Mid Coast Hospital continuously works to improve the quality and systems in place to support the behavioral health needs within the community.
MCPH has a long-standing referral relationship with MH's Maine Behavioral Healthcare (MBH). Inpatient and outpatient mental health and outpatient addiction services between the two organizations have experienced an ongoing, close collaborative relationship in many ways, particularly referrals for community mental health services, inpatient child, adolescent and adult psychiatry services.

MBH has had a contract to provide Behavioral Health Integration with Primary Care and specialty practices within the Mid Coast Medical Group offices since 2014. This allows patients with mild to moderate behavioral health needs to have immediate access to care and a warm hand-off in their provider office to manage short term and acute needs. If longer-term treatment or psychiatric referral is needed, the MBH clinician will ensure the service is provided. This service has transformed primary care and access to mental health and addiction services for patients in our community and is currently provided in four primary care practices, pediatrics, neurology and women's health.

6. **Maine Behavioral Healthcare**

Maine Behavioral Healthcare is committed to creating a seamless system of behavioral health care across Maine, coordinating hospital psychiatric care with community-based treatment services and better access to medical care through integration with primary care services. Effectively coordinating client and patient care across multiple locations and treatment settings will not only provide optimal health outcomes, but serve as a national model for treating people with serious mental health issues.

Maine Behavioral Healthcare's 30-plus clinical programs and nearly 30 service locations, from York to Norway to Belfast, is one of the broadest behavioral healthcare programs in the state. Our primary goal is connecting clients and patients to appropriate care when they need it.

The Behavioral Health Integration (BHI) Program helps people get effective and efficient care for mental and behavioral health problems through primary care providers. Started in 2010, the program provides training and materials to primary care offices throughout the MaineHealth system, including Maine Behavioral Healthcare.

The aim of BHI is to improve healthcare connections for patients between mental/behavioral and medical care. To assist Primary Care and Specialty Medical Practices in screening for, diagnosing and managing patients and families with behavioral health issues, conditions and disorders, BHI facilitates a standardized and supportive, team-based approach: Providers and office staff collaborate with care managers and behavioral health clinicians to implement individualized strategies for patients and their families in the MCPH service area.

MBH is committed to:

- Providing comprehensive health care in patients’ existing medical care settings, which includes attention to both physical and emotional health.
- Providing services in the most appropriate setting possible, determined by patient preference and clinical need.
- Advocating to support sustainable mental health care in Maine.

MBH is committed to better understanding the impact of Adverse Childhood Experiences (ACEs)/trauma on the long-term health and well-being of our patients and families. ACEs are a pervasive health issue with one in four Maine children experiencing two or more ACEs including:

- Household dysfunction
- Abuse
- Neglect
- Neighborhood violence
- Exposure to intimate partner violence (IPV)
- Separation from a primary caregiver

Our interdisciplinary team of leaders and content experts strives to build on current efforts to lead the MaineHealth system in the development of best practice models for education, prevention, screening and treatment of ACEs.

The proposed merger will enable MCPH and MBH to work more closely in the MCPH service area to provide high-quality, highly coordinated behavioral health services integrated with services already being provided.

7. **Limitations of Today’s Relationship**

Collaboration between MCPH and MH Care Teams is effective today but restricted by the realities of being two separate organizations. Examples of current restrictions include:

- **Health Records**: MCPH and MH utilize different electronic medical records that do not communicate with one another. This limits coordination of patient care and communication between care teams discussed further in section m **Investment in Technology**.
- **Operational Integration**: The two separate corporate entities operate independent of one another. Integrating operations provides an opportunity to streamline, manage, and minimize increases in administrative costs.
- **Regional Service Planning**: MCPH and MH are currently limited in their ability to participate in joint regional service planning efforts. Regional service planning is an opportunity for MH and MCPH to focus on which services have the greatest need in the community and which services could be improved upon through regionalization or consolidation.
- **Recruiting**: MCPH cannot support various subspecialties within its own service area, because the demand for such services in the MCPH service area is not large enough to warrant the hiring of sufficient number of subspecialists to provide tolerable call schedules for the physicians hired under modern standards. In addition, arranging physician call schedules with small practices (three or fewer physicians) can create challenging work-life balances for those physicians.
- **Communication**: MCPH care teams do not have access to MH’s directories. This means that MCPH care teams cannot look up the contact information of MH care team members in order to communicate about a patient’s needs unless a relationship has already been established.
- **Team Building**: As two separate organizations, MCPH and MH care teams operate under a similar but different mission and set of values. Separate mission and values limit the alignment among care teams. The proposed merger will enable the two organizations and care teams in the region to operate with the same mission and values facilitating coordination and alignment among care providers across sites.

m. **Investment in Technology**

Another key benefit in the proposed transaction for the patients of the MCPH service area is the transition to MH’s electronic medical record (EMR) – EPIC. There is a growing need for community based health systems to replace aging technology. MCPH’s existing EMR is nearly 20 years old. In addition to updating the user interface, the latest EMR technology enables clinicians to
fundamentally change the way healthcare services are provided by embedding clinical best practices to assist the care team in providing safe, appropriate and affordable care for patients.

The costs of implementing EPIC, both capital and ongoing operating expense, for MCPH and other community based health systems would be prohibitive and or place significant stress on meeting other capital needs. Even if a community-based health system accepted the cost of an EPIC installation, the result would be a “stand-alone” system that would be limited in its ability to share patient records among caregivers from different organizations.

Mid Coast’s current EMR system has limitations including:

- The hospital system is a separate system from the system used in its twenty-seven physician offices and separate from the system used in the emergency room. The electronic handoffs between these systems require significant human resources to assure that all systems are synchronized.
- Most of MCPH’s systems are primarily documentation and tracking systems. None of MCPH’s systems are providing clinicians with value-added functionality that assist them in their job, such as embedded care protocols, safety alerts and medical necessity guidance.
- Population health and predictive analytics do not exist in the current systems at MCPH. In order to reduce the rate of increase in health costs, health systems must be able to use “big data” to proactively manage their patients’ diseases and prevent costly admissions.

As a result of the proposed transaction, MH will add MCPH and its patients to its EPIC platform and provide the technical expertise to assure that the conversion goes smoothly.

n. Health Status

The project will have a positive impact on the health status indicators of the population in the MCPH service area.

MH is leading the development of health status improvement and clinical integration initiatives in Maine. Management of patient populations with chronic diseases has been a major focus of MH’s clinical integration initiatives. This project will enable MCPH to more closely participate in MH’s health status improvement, clinical integration, population health management and quality improvement initiatives, which should, over time, positively impact the community’s health status indicators.

The MaineHealth Health Index Initiative has identified several priority areas for improving the health of the communities that are served by MH. MH, its constituent organizations and its partners are taking actions to address these priorities in community settings, clinical settings and the policy arena. The Initiative’s priority areas are to:

- Increase childhood immunizations,
- Decrease tobacco use,
- Decrease obesity,
- Decrease preventable hospitalizations,
- Decrease cardiovascular deaths,
- Decrease cancer deaths,
- Decrease prescription drug misuse and dependence.

Please refer to Error! Reference source not found. Exhibit IV-f.

o. Accessibility of Services
All services currently provided by MCPh, its subsidiaries and providers prior to the project’s effective date will be accessible to all residents and visitors of the MCPh service area and surrounding communities after the project’s effective date.

p. Quality of Care
MCPh, its subsidiaries and providers, will participate in MH clinical integration, population health management and quality improvement initiatives designed to improve care quality and outcomes. Please refer to Section VII. Service Utilization for further information about MH’s commitment to these efforts.

Please refer to Section VI. Outcomes and Community Impact for more information about the project’s impact on the quality of care in the MCPh service area.

B. CONU Discussion

i. CON Standards
The relevant standard 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. CONU Analysis
This transaction would result in a merger between MH and Mid Coast. This project does not propose or forecast significant changes to services or facilities and will not alter historical referral patterns. The ability of Mid Coast to continue to be a provider of high-quality healthcare services that meet community needs, improve community health, provide access to services regardless of the patient’s ability, and continuous quality improvement in services provided should be enhanced by affiliation with a larger hospital network. To determine public need, CONU analyzed demographic and service use trends in Mid Coast’s primary and secondary service areas which consists of 21 towns located in Androscoggin, Cumberland, Lincoln and Sagadahoc County. CONU utilized the Older Adults with Physical Disabilities: Population and Service Use Trends in Maine, 2012 Edition, prepared by the Muskie School of Public Service and the U.S. Census Bureau’s website located at http://census.gov/quickfacts.
There is a significant variation in the demographics of these Counties in population density, median incomes and age. The 65 or older population in Androscoggin comes in at 17.7%, Cumberland 18.4%, Lincoln 27.7% and Sagadahoc at 22.1%. Even at the low end this percentage still exceeds the 65 or older population of the United States which is 16%. The 65 or older population is expected to increase in these service areas and in Maine as a whole. Maine’s 65 or older population continues to grow at a rate faster than New England and the rest of the nation. This population is a significant consumer of hospital services.

In order to maintain long-term viability Mid Coast has chosen to affiliate with a larger hospital network rather than remain a stand-alone community hospital. Maintaining necessary hospital services will continue to address specific health problems associated with an aging population that requires more intensive care. In 2019, Maine’s four largest healthcare systems Northern Light Health, Central Maine Health Care, MaineGeneral Health and MH in concert with the Maine Center for Disease Control and Prevention partnered to research and publish a shared Community Health Needs Assessment. The needs identified in MH’s and Mid Coast’s service area align. These needs are:

1) Mental Health
2) Social Determinants of Health
3) Substance Abuse
4) Access to Care
5) Older Adult/Healthy Aging

Since the service area of MH and Mid Coast overlap an alliance between these two entities will strengthen these initiatives and enhance the health status indicators of the population to be served. During the September 24, 2019 Public Hearing Dr. Dora Mills, Chief Health Improvement Officer at MH at the September 24, 2019 public hearing outlined the benefits of this transaction.

“As a fully integrated part of MH, Mid Coast will have direct access to still more community health resources greatly increasing its ability to address the community health needs of the Mid Coast region. This will not only provide additional resources for the current community health needs assessment priorities, but also provide capacity to address pressing issues affecting the health and well-being of the region for years to come. Whether it is tackling social deterrence to health, such as food insecurity, access to care or transportation or direct public health initiatives such as childhood immunizations, colon cancer screenings or flu shot clinics, MH is in the position to enhance the already positive public health efforts underway at Mid Coast.”

All services affected by this project will continue to be accessible to all residents of the area proposed to be served post-merger.

As stated throughout this application MH and Mid Coast have a long history of collaboration. Mid Coast became a strategic affiliate of MH in 1999. Maine Medical Center (MMC) and its specialists continue to be the principle referral hospital and sub-specialty providers for Mid Coast. MMC is the top provider of tertiary care for patients in the Mid Coast service area. Although successful, this affiliation has limitations. Merging will allow care at Mid Coast and MH’s specialists to be clinically seamless, on the same electronic medical record and without anomalies that drive
differences in treatment protocols. Mid Coast will be a full partner in MH’s Quality, Health Status Improvements, Population Health Management and Clinical Integration Programs. MH has provided detailed information regarding their quality improvement programs throughout this application. Mid Coasts participation in MH’s quality improvement programs will provide demonstrable improvements in quality and outcome measures applicable to the services proposed in this application.

iii. Conclusion

The Certificate of Need Unit recommends that the Commissioner find that the applicant has met their burden to show that there is a public need for the proposed project.
V. Orderly and Economic Development

A. From Applicant


The anticipated benefits of the proposed transaction are described throughout the CON application. The proposed transaction primarily involves the day-to-day operation of MCPH.

There are no changes to facilities or services anticipated as a result of the proposed transaction. The services that are currently offered by MCPH will be offered by MCPH after the effective date of the proposed transaction.

There is no CON-reviewable capital expenditure and no increase in operating expenses for Maine’s healthcare delivery system, for the State of Maine, for MH or for MCPH as a result of the proposed transaction.

The proposed transaction should have no impact on other providers’ volume of services, quality of care or costs. Historical referral patterns for patients requiring care in Sagadahoc County or Cumberland County should be unchanged by the proposed transaction and all referrals will continue to be based on an assessment of the patient’s needs, the patient’s preferences and the resources available and reasonably accessible by the patient.

b. Availability of State Funds: Impact on MaineCare

Approval of this proposed transaction has no impact on MaineCare.

c. Alternatives: Potential of More Effective, More Accessible or Less Costly Technologies or Methods.

MCPH Board of Directors formed an Ad Hoc Exploratory Committee to engage in the exploration of the need and benefits of a merger with MaineHealth. The Ad Hoc Committee considered the following options.

1. Remain Independent – The first alternative that was evaluated was to remain an independent hospital. While today MCPH is financially strong and continues to provide high-quality services, the senior team and the Board concluded that with the significant changes in the healthcare landscape, MCPH’s ability to remain excellent, over the long haul, is in jeopardy and that MCPH should merge with another organization while it is still strong rather than when there are no other alternatives. This rapidly changing healthcare landscape is characterized by:

a. Increasing competition from for-profit limited service niche competitors. Two for-profit imaging centers and two urgent care centers have entered MCPH’s service area within the last twelve months.

b. The need for rapid innovation to develop responses to the alternative delivery model collaborations.

cy. The need to invest in IT so that clinicians have access to data that will enable seamless coordination with other healthcare providers and focus on preventative medicine.
In short, MCPH's senior team and Board concluded that small, independent, community hospitals are not well-positioned to make the changes and investments required to compete in the rapidly changing healthcare environment.

2. Merge with Another Independent Community Health System — (i.e. MaineGeneral in Augusta) While this alternative was briefly considered, MCPH quickly concluded that its partner needs to a) include a tertiary hospital, and b) be well capitalized and have superior financial strength to deal with challenges described above.

3. Merge with A Large Healthcare System — (i.e. MaineHealth, Partners Healthcare in Boston, or Northern Light in Bangor) MCPH considered MH to be the only feasible option. When evaluating potential partners, MCPH considered:

   a. Established partnerships and its current affiliation with MaineHealth;
   b. Existing collaboration efforts with MaineHealth providers;
   c. Professional connections of MCPH physicians with MaineHealth providers and Maine Medical Center;
   d. Existing referral patterns from the MCPH service area to Maine Medical Center; and, 
   e. MaineHealth's history of providing top quality care and financial stability.

MCPH Board of Directors determined that MH is the only logical potential partner in Maine for a merger given the quality of care delivered at MMC, the historical regional preference of patients and providers for MMC for tertiary and other specialty care and the long-standing successful clinical relationships between MCPH providers and MH providers.

   d. A Partnership with MaineHealth

MCPH, its physicians, providers and patients will benefit from participation in MH clinical integration and chronic disease management programs. MCPH will benefit from participation in MH's employee health plan, workers compensation trust, Supply Chain purchasing program and vendor contracts, Maine Medical Partners physician practice management services, professional liability trust, laundry services, investment advisory and banking services and audit services.

MH also offers 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).

MH's economies of scale enable its members to access goods and services that they individually would not be able to consider. Simply put, MH's purchasing power adds value. A prime example of this is MaineHealth's electronic medical record, EPIC. MH's size enabled its local health systems to select the Epic System, one of the premier national EMR developers, as the software partner, a selection that would not have been feasible for many MH local health systems if they were independent.

B. CONU Discussion

   i. CON Standards
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

This project involves the merger of two existing health care entities and does not contemplate any change in facilities and services provided in the local service area. This project will not increase overall health care costs and will not require additional State funding. In fact, economies of scale and shared administrative services may serve to decrease operating costs going forward.

The applicant considered and rejected several alternatives:

A) Remain independent. Not a viable alternative long-term. Changing health care environment requires costly innovation and investment in technology which is difficult and not sustainable for an independent hospital.

B) Merge with another independent community health care system. Another independent hospital would have the same issues as Mid Coast. Would not have the financial strength and access to tertiary care services that MH offers.

C) Merge with another large hospital system. This alternative was rejected due to Mid Coasts and MH long history of collaboration. Existing referral patterns would be disrupted if another system was selected.

It is highly unlikely that more effective, more accessible, less costly alternative technologies or methods of service delivery will become available.

iii. Conclusion

CONU recommends that the Commissioner find that the applicant has 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 subject to including the recommended condition.
VI. Outcomes and Community Impact

A. From Applicant

MH is committed to providing and is recognized for high-quality, patient-centered, affordable care.

a. Description of Quality Programs at MCPH

MCPH’s Quality Plan for Hospital & Medical Performance Improvement is a program focused on quality and performance improvement at MCPH. MCPH supports the priority aims set forth in the Institute of Medicine Report, Crossing the Quality Chasm, that health care should be:

• Safe—avoiding injuries to patients from the care that is intended to help them.
• Effective—providing services based on scientific knowledge to all who could benefit and refraining from providing services to those not likely to benefit (avoiding under-use and overuse, respectively).
• Patient (and family) Centered—providing care that is respectful of and responsive to individual patient preferences, needs and values and ensuring that patient values guide all clinical decisions.
• Timely—reducing waits and sometimes harmful delays for both those who receive and those who give care.
• Efficient—avoiding waste, including waste of equipment, supplies, ideas and energy.
• Equitable—providing care that does not vary in quality because of personal characteristics such as gender, ethnicity, geographic location and socioeconomic status.

The current leadership of MCPH’s Organizational Quality and Performance Improvement program is structured as described below. There are no anticipated changes to this structure as a result of the proposed merger.

A. BOARD OF DIRECTORS

The Board of Directors is accountable for the quality of patient care and services rendered. The Board ensures that a planned and systematic approach for improving patient care and service is in place at Mid Coast Hospital. The Board of Directors delegates accountability to the Chief Executive Officer to provide leadership, structure and resources to support quality patient care services. The CEO empowers senior managers to ensure and facilitate the goals of continuous quality outcomes and patient safety initiatives.

B. PERFORMANCE IMPROVEMENT COMMITTEE OF THE BOARD

The Performance Improvement Committee of the Board is comprised of Board Members, Community Members, Physicians, Senior Administration and Support Staff. The goal of this committee is to provide oversight for the performance improvement program. The Performance Improvement Committee of the Board reports directly to the Board of Directors. All Medical Quality and Hospital Quality activity, Patient Satisfaction, Staffing Effectiveness, Infection Prevention and Control, Employee Health, Safety & Environment of Care, Risk Management, including regional, state and national comparative indicators are reported to this committee.

C. MEDICAL EXECUTIVE COMMITTEE

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The President of the Medical Staff is responsible for the oversight of the Medical Executive Committee and the delegation of staff members to committee assignments. The Medical Executive Committee is responsible for the review and evaluation of care provided by all members of the Medical Staff and all individuals with delineated privileges.

D. MEDICAL STAFF
The Medical Staff is responsible to the Board of Directors for the quality of all medical care provided to patients in the hospital. The Board of Directors shall delegate to the Medical Staff the responsibility to carry out the Medical and Allied Health Staff Quality and Performance Improvement activities. The President and Vice President of the Medical Staff are responsible for supporting the Medical Directors and appointed Chairpersons in their duties related to performance improvement. A report of the Medical Staff Quality Assessment/Performance Improvement Program will be submitted to the Performance Improvement Committee of the Board on a regular basis.

E. MEDICAL STAFF PEER REVIEW PROCESS
Oversight of the clinical competency and quality of medical staff providers reside in the Peer Review Committee. This committee is chaired by the President of the Medical Staff or their designee and includes appointed medical staff members and quality and medical staff office staff. This committee is responsible to assure Ongoing Professional Practice Evaluations (OPPE) and Focused Professional Practice Evaluations (FPPE) occur. Individualized OPPE and FPPE reports are populated with data abstracted from medical records, results of case review and other high volume, high risk or problem prone procedures as they relate to patient safety and the organizations performance improvement plans. All active medical staff with privileges are reviewed twice a year. Reports are submitted to the Credentials Committee and Medical Executive Committee on a regular basis.

F. QUALITY AND PATIENT SAFETY COMMITTEE (QPSC)
   a. The committee is chaired by the Senior Director for Quality & Patient Safety. Other members include Senior Administration, VP Nursing and Patient Care Services, appointed department directors, Senior Quality Medical Director, performance improvement coordinators and others as needed.
   b. The committee meets regularly (a minimum of 6 times per year) to provide review of internal quality activities reported by the hospital departments, committees and Integrated Care Teams. The committee monitors the hospital’s compliance related to Joint Commission Accreditation, CMS and State of Maine DHHS Licensing and Certification process, priority patient safety topics, new standards, proactive risk assessments and reports from Sentinel Event root cause analysis.
   c. Reports to the Board Performance Improvement Committee.
   d. Approves and monitors the progress of Performance Improvement teams.
   e. Members are responsible for communicating quality and performance activities, results or trends back to the staff or department level.

Please see Error! Reference source not found. for recent quality performance at MCPH.

b. MCPH Ratings/Recognition/Awards
CMS evaluates all hospitals via a “Star-Rating” System, which is publicly available via its Hospital Compare website (www.medicare.gov/hospitalcompare). The overall rating is a summary of quality measures on Hospital Compare. These measures reflect common conditions that hospitals treat.
MCPH has a 4-star rating (out of 5 possible stars) and has consistently received high ratings for above average care. Ratings are based on health inspections, quality measures and staffing.

MCPH has received multiple awards and accreditations for Quality and Excellence including:

**One of America's 100 Great Community Hospitals:** For the third consecutive year, Becker's Hospital Review named Mid Coast Hospital one of America’s 100 Great Community Hospitals, recognized for its clinical quality, operational excellence and economic impact on the surrounding area.

**Commission on Cancer Accreditation:** Mid Coast Hospital was reaccredited by the Commission on Cancer of the American College of Surgeons for the quality of its comprehensive, multidisciplinary patient care.

**Advanced Certification for Primary Stroke Centers:** The Joint Commission, in conjunction with The American Heart Association / American Stroke Association, recertified Mid Coast Hospital with Advanced Certification for Primary Stroke Centers.

**A Magnet Hospital:** MCPH is recognized as a Magnet facility by the American Nurses Credentialing Center for exceptional nursing and patient care, an honor achieved by only 8% of U.S. hospitals.

**Senior Health Services:** Mid Coast Senior Health maintained a 5-star rating from the Centers for Medicare & Medicaid Services; the only senior health facility in the region to receive the highest-level rating.

**Best Nursing Home:** Mid Coast Senior Health was recognized as “Best Nursing Home” by U.S. News & World Report for 2018-19.

**Home & Health Hospice Four-Star Rating:** Community Health and Nursing Services (CHANS) Home & Health Hospice received a 4-star rating from the Centers for Medicare & Medicaid Services and maintains accreditation by The Joint Commission.

c. **Description of MH Quality Programs**

The MaineHealth Center for Health Improvement (MHCHI) supports and serves MaineHealth organizations and others with integrated clinical, community and policy approaches.

For a complete description of each of MHCHI's programs visit – [www.mainehealth.org/healthcare-professionals/center-for-health-improvement](http://www.mainehealth.org/healthcare-professionals/center-for-health-improvement).

MH uses the Institute of Medicine definition and six aims for improvement to guide its clinical quality and patient safety efforts. An overarching goal for the quality program is to ensure that care is safe, effective, patient-centered, timely, efficient and equitable. There is a strong emphasis on redesigning systems of care, including the use of information technology, to ensure that every patient receives evidence-based care in a patient-centered way with minimal risk of harm. Additional areas of focus include: knowledge and skills management; development of effective teams; coordination of care across patient conditions, services and settings over time; and use of performance and outcome measurement for continuous improvement and accountability. Tying all this together is leadership support for creating a culture of improvement and innovation.
Starting in January 2019, MH has integrated the quality and safety teams across all local health systems into a unified quality program led by a system-level Chief Quality Officer. Quality leads from each member organization report directly to the system Chief Quality Officer and relevant activities are organized into the following functional areas: performance improvement; patient safety and risk management; patient complaints and grievances; accreditation and regulatory compliance; infection prevention and control; and quality data analysis and reporting. Although staff working in each of these areas remain embedded within member organizations, steps are being taken to standardize technology platforms and essential workflows, including standardizing job descriptions and performance evaluation criteria.

MH employs a three-pronged approach to facilitate the spread of improvements across the health system. For several of the functional areas noted above, there are efforts underway to develop robust measurement and reporting capabilities to track and analyze system-wide and member-level performance over time. Over the past few years, MH has implemented a Lean, six sigma-based performance improvement system that allows teams working in different local health systems to have a shared vocabulary and uniform approach to solving problems. By convening such teams in workgroups organized under each functional area, MH is using positive deviance to drive improvement at scale. This combination of improved measurement capabilities, a workforce trained in Lean-based improvement methods and a workgroup structure to facilitate sharing has led to improvements in CMS quality star ratings and Leapfrog safety grades.

Beyond ensuring that every patient served by MH receives optimal care regardless of venue and a system-wide commitment to achieving zero harm, certain high-priority conditions and safety concerns receive special attention as annual or three-year goals and objectives. The selection of quality-related goals is based on assessment of system-wide gaps in performance, potential opportunity to benefit a large number of patients and public reporting and pay-for-performance, among other things. Annual targets for improvement are set each year with input from multiple stakeholders across the health system and are generally included in each member organization’s annual improvement plan. Workgroups are convened around each system-level priority area or annual objective to bring together stakeholders who use performance reports and Lean-based improvement approaches to attain targets.

Lastly, medical specialists working at MH’s flagship teaching hospital and in several member organizations conduct quality improvement activities driven by participation in clinical registries and improvement collaboratives convened by their respective medical professional societies. In many instances, these activities are supported by performance improvement staff from the quality program and use performance reports compiled by quality data analytics staff. Together, all these activities help ensure that MH meets the Institute of Medicine’s six aims for improvement in healthcare quality.

f. MH Quality Ratings / Recognitions / Awards

Awards and recognitions for MH local health systems are numerous. MCPHN has the closest referral relationship with Maine Medical Center (MMC) in terms of volume of referrals. Therefore, only MMC’s awards and recognitions for quality are provided here.
U.S. News & World Report has named Maine Medical Center a “Best Regional Hospital” for the fifth consecutive year. MMC also is just one of 48 hospitals out of 4,500 nationwide and the only hospital in Maine that was recognized as “high performing” in all nine procedures and conditions included in the 2017-2018 survey of U.S. hospitals:

- Abdominal Aortic Aneurysm Repair
- Aortic Valve Surgery
- Colon Cancer Surgery
- Chronic Obstructive Pulmonary Disease (COPD)
- Heart Bypass Surgery
- Congestive Heart Failure
- Hip Replacement
- Knee Replacement
- Lung Cancer Surgery

The Joint Commission has certified Maine Medical Center as a Comprehensive Stroke Center, the highest level of designation for stroke care, and the first in the state of Maine. This designation means that we are ready to treat the most complex stroke cases, including interventional techniques, 24/7. We follow national standards and guidelines that can significantly improve outcomes for stroke patients.

Maine Medical Center again recognized as a Top Performer on Key Quality Measures by the Joint Commission for attaining and sustaining excellence in accountability measure performance for heart attack, heart failure, pneumonia and surgical care.

The Spinal Surgery program has earned The Joint Commission’s Gold Seal of Approval® by demonstrating compliance with The Joint Commission’s national standards for healthcare quality and safety in disease-specific care.

2017 Magnet Recognition for Excellence in Nursing. MMC is among about 2 percent of US hospitals to achieve Magnet designation three times. Magnet status is awarded by the American Nurses Credentialing Center, an independent organization within the American Nurses Association. Magnet recognition is widely considered to be the ultimate credential for high quality nursing care.
MMC was first recognized as a Magnet hospital in 2006, was redesignated in 2011 and in 2017 proving our commitment to the highest level of quality care.

Maine Medical Center’s Specialty Pharmacy Program recently received full accreditation from URAC, the governing body that evaluates pharmacy program quality. The accreditation is an indicator that MMC’s program maintains the highest standards of quality, patient centeredness and access to care.

Proud to be one of five hospitals in the country recognized for our collaborative efforts to improve community health through Let’s Go! with the 2014 NOVA Award.

g. Potential Impact on Existing Providers’ Quality of Care
MH and MCPH do not anticipate nor are there any terms or conditions applicable to the Proposed Transaction that should have any impact on existing providers’ quality of care as a result of the proposed merger of MH and MCPH and its subsidiaries.

B. CONU Discussion
i. CON Standards

The relevant standard for inclusion in this section is 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

Mid Coast has described its concerns about maintaining long-term financial viability throughout this application. A primary reason the Mid Coast Board approved this merger is to affiliate with a stronger hospital system so that it could continue to provide high-quality health care in their service area. This merger will allow full integration with MH which shares Mid Coasts values. Other benefits which would promote high quality outcomes are:

1). Active participation in the evolution of care for the region, to create embedded, standardized clinical pathways and care delivery models for patient care.
2). To deliver seamless care and evidenced-based precision medicine that is essential to not only the delivery of high-quality acute care but, as importantly, to deliver seamless preventative care through integration with MH's EPIC electronic medical record system.

3). An enhanced ability to recruit specialists to the community and to provide training and development of staff.

This project is addressing a current need (no change in facilities and services) and will not cause a shift in market share that would adversely affect the quality of care delivered by existing service providers or other facilities.

CONU agrees with the applicant that there is a likelihood of higher quality outcomes arising from this project.

iii. Conclusion

CONU recommends that the Commissioner find that the applicant has 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

The proposed transaction will not increase healthcare utilization unnecessarily and will not create inappropriate or unnecessary demand. MCPh will become a MH local health system and will participate in clinical, quality and population health improvement programs and initiatives designed to improve health outcomes and reduce unnecessary service utilization.

MH is dedicated to transforming the healthcare delivery system to reduce the demand for inpatient services. See subsections below on MMC’s Record of Managing Healthcare Utilization and MH’s clinical, quality and population health improvement programs and initiatives.

MH’s Record of Managing Healthcare Costs

Figure 6 - Per Capita Costs by Hospital Referral Region for Individuals Over 65 Years of Age

<table>
<thead>
<tr>
<th>HRR</th>
<th>Beneficiaries with Part A and Part B</th>
<th>FFS Beneficiaries</th>
<th>MA Beneficiaries</th>
<th>Average Age</th>
<th>Percent Eligible for Medicaid</th>
<th>Average HCC Score</th>
<th>Actual Per Capita Costs</th>
<th>Standardized Per Capita Costs</th>
<th>Standardized Risk-Adjusted Per Capita Costs</th>
<th>Hospital Readmission Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>MA - Springfield</td>
<td>118,439</td>
<td>82,397</td>
<td>36,002</td>
<td>76</td>
<td>17.58 %</td>
<td>0.98</td>
<td>$9,915.99</td>
<td>$8,699.97</td>
<td>$9,321.24</td>
<td>17.47 %</td>
</tr>
<tr>
<td>VT - Burlington</td>
<td>105,537</td>
<td>67,008</td>
<td>18,520</td>
<td>75</td>
<td>15.51 %</td>
<td>0.87</td>
<td>$8,787.56</td>
<td>$7,845.04</td>
<td>$9,491.05</td>
<td>16.79 %</td>
</tr>
<tr>
<td>ME - Portland</td>
<td>196,270</td>
<td>176,128</td>
<td>70,142</td>
<td>76</td>
<td>18.32 %</td>
<td>0.50</td>
<td>$8,839.88</td>
<td>$8,422.88</td>
<td>$9,598.31</td>
<td>14.60 %</td>
</tr>
<tr>
<td>MA - Worcester</td>
<td>114,499</td>
<td>64,702</td>
<td>49,797</td>
<td>75</td>
<td>15.50 %</td>
<td>0.58</td>
<td>$11,136.22</td>
<td>$9,256.13</td>
<td>$9,719.72</td>
<td>17.48 %</td>
</tr>
<tr>
<td>ME - Bangor</td>
<td>77,657</td>
<td>57,741</td>
<td>19,916</td>
<td>76</td>
<td>29.42 %</td>
<td>0.35</td>
<td>$9,271.49</td>
<td>$8,780.53</td>
<td>$9,259.64</td>
<td>17.67 %</td>
</tr>
<tr>
<td>RI - Providence</td>
<td>183,045</td>
<td>59,450</td>
<td>83,039</td>
<td>76</td>
<td>9.36 %</td>
<td>0.96</td>
<td>$10,486.85</td>
<td>$9,214.73</td>
<td>$8,045.42</td>
<td>17.85 %</td>
</tr>
<tr>
<td>NH - Lebanon</td>
<td>76,376</td>
<td>69,086</td>
<td>7,990</td>
<td>75</td>
<td>12.97 %</td>
<td>0.80</td>
<td>$9,949.65</td>
<td>$7,723.43</td>
<td>$9,484.11</td>
<td>15.23 %</td>
</tr>
<tr>
<td>CT - Hartford</td>
<td>219,761</td>
<td>149,243</td>
<td>80,518</td>
<td>77</td>
<td>19.38 %</td>
<td>1.00</td>
<td>$11,088.00</td>
<td>$9,561.23</td>
<td>$10,800.04</td>
<td>16.89 %</td>
</tr>
<tr>
<td>CT - New Haven</td>
<td>211,927</td>
<td>149,268</td>
<td>72,659</td>
<td>77</td>
<td>18.59 %</td>
<td>1.03</td>
<td>$11,975.18</td>
<td>$9,858.75</td>
<td>$10,102.78</td>
<td>17.32 %</td>
</tr>
<tr>
<td>NH - Manchester</td>
<td>141,188</td>
<td>121,572</td>
<td>19,612</td>
<td>75</td>
<td>7.65 %</td>
<td>0.66</td>
<td>$9,313.53</td>
<td>$8,563.76</td>
<td>$10,358.70</td>
<td>16.17 %</td>
</tr>
<tr>
<td>MA - Boston</td>
<td>274,086</td>
<td>534,596</td>
<td>189,400</td>
<td>76</td>
<td>14.81 %</td>
<td>1.00</td>
<td>$11,656.76</td>
<td>$9,715.61</td>
<td>$10,197.27</td>
<td>18.13 %</td>
</tr>
<tr>
<td>National</td>
<td>45,409,665</td>
<td>26,833,995</td>
<td>18,613,670</td>
<td>75</td>
<td>12.11 %</td>
<td>0.56</td>
<td>$10,094.35</td>
<td>$9,534.09</td>
<td>$10,351.76</td>
<td>16.80 %</td>
</tr>
<tr>
<td>CT - Bridgeport</td>
<td>90,262</td>
<td>64,743</td>
<td>25,519</td>
<td>77</td>
<td>16.87 %</td>
<td>0.98</td>
<td>$12,266.50</td>
<td>$9,959.27</td>
<td>$10,733.10</td>
<td>17.02 %</td>
</tr>
</tbody>
</table>

Source: Medicare, Hospital Referral Regions (HRR), 2017

Portland, Maine has one of the lowest standardized risk-adjusted per capita costs and hospital readmission rates in the northeast.
Figure 7 - Risk Adjusted Cost per Member per Month and Risk Adjusted Resource Use per Member per Month, 2015-2017

<table>
<thead>
<tr>
<th>Service Area</th>
<th>Rank</th>
<th>Cost</th>
<th>Area/State</th>
</tr>
</thead>
<tbody>
<tr>
<td>Portland</td>
<td>1</td>
<td>$342.47</td>
<td>0.914</td>
</tr>
<tr>
<td>Farmington</td>
<td>2</td>
<td>$348.52</td>
<td>0.940</td>
</tr>
<tr>
<td>Fort Kent</td>
<td>3</td>
<td>$351.95</td>
<td>0.995</td>
</tr>
<tr>
<td>Norway</td>
<td>4</td>
<td>$355.73</td>
<td>0.560</td>
</tr>
<tr>
<td>Rockland</td>
<td>5</td>
<td>$357.87</td>
<td>0.597</td>
</tr>
<tr>
<td>Lewiston</td>
<td>6</td>
<td>$359.67</td>
<td>0.971</td>
</tr>
<tr>
<td>Brunswick</td>
<td>7</td>
<td>$363.67</td>
<td>0.975</td>
</tr>
<tr>
<td>Bridgton</td>
<td>8</td>
<td>$365.10</td>
<td>0.983</td>
</tr>
<tr>
<td>Bar Harbor</td>
<td>9</td>
<td>$368.05</td>
<td>0.984</td>
</tr>
<tr>
<td>Boothbay</td>
<td>10</td>
<td>$368.29</td>
<td>0.985</td>
</tr>
<tr>
<td>Lincoln</td>
<td>11</td>
<td>$368.78</td>
<td>0.985</td>
</tr>
<tr>
<td>Rumford</td>
<td>12</td>
<td>$368.80</td>
<td>0.885</td>
</tr>
<tr>
<td>Blue Hill</td>
<td>13</td>
<td>$372.11</td>
<td>0.983</td>
</tr>
<tr>
<td>Belfast</td>
<td>14</td>
<td>$373.23</td>
<td>0.984</td>
</tr>
<tr>
<td>Greenville</td>
<td>15</td>
<td>$372.85</td>
<td>0.995</td>
</tr>
<tr>
<td>Skowhegan</td>
<td>16</td>
<td>$373.98</td>
<td>0.998</td>
</tr>
<tr>
<td><strong>MAINE</strong></td>
<td></td>
<td>$374.57</td>
<td>1.000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Service Area</th>
<th>Rank</th>
<th>Cost</th>
<th>Area/State</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greenville</td>
<td>1</td>
<td>$266.06</td>
<td>0.949</td>
</tr>
<tr>
<td>Bar Harbor</td>
<td>2</td>
<td>$277.17</td>
<td>0.891</td>
</tr>
<tr>
<td>Blue Hill</td>
<td>3</td>
<td>$282.67</td>
<td>0.962</td>
</tr>
<tr>
<td>Belfast</td>
<td>4</td>
<td>$282.92</td>
<td>0.903</td>
</tr>
<tr>
<td>Lincoln</td>
<td>5</td>
<td>$287.17</td>
<td>0.916</td>
</tr>
<tr>
<td>Norway</td>
<td>6</td>
<td>$291.30</td>
<td>0.892</td>
</tr>
<tr>
<td>Ellsworth</td>
<td>7</td>
<td>$294.30</td>
<td>0.939</td>
</tr>
<tr>
<td>Skowhegan</td>
<td>8</td>
<td>$294.34</td>
<td>0.939</td>
</tr>
<tr>
<td>Pittsfield</td>
<td>9</td>
<td>$294.58</td>
<td>0.940</td>
</tr>
<tr>
<td>Farmington</td>
<td>10</td>
<td>$295.53</td>
<td>0.943</td>
</tr>
<tr>
<td>Fort Kent</td>
<td>11</td>
<td>$297.08</td>
<td>0.948</td>
</tr>
<tr>
<td>Rockland</td>
<td>12</td>
<td>$299.60</td>
<td>0.956</td>
</tr>
<tr>
<td>Millinocket</td>
<td>13</td>
<td>$299.79</td>
<td>0.956</td>
</tr>
<tr>
<td>Boothbay</td>
<td>14</td>
<td>$301.87</td>
<td>0.963</td>
</tr>
<tr>
<td>Portland</td>
<td>15</td>
<td>$306.04</td>
<td>0.976</td>
</tr>
<tr>
<td>Dover-Foxcroft</td>
<td>16</td>
<td>$307.92</td>
<td>0.982</td>
</tr>
<tr>
<td>Rumford</td>
<td>17</td>
<td>$309.18</td>
<td>0.986</td>
</tr>
<tr>
<td>Houlton</td>
<td>18</td>
<td>$309.18</td>
<td>0.986</td>
</tr>
<tr>
<td><strong>MAINE</strong></td>
<td></td>
<td>$313.45</td>
<td>1.000</td>
</tr>
</tbody>
</table>

NOTE: In the tables above, the risk adjusted cost per member per month reflects actual claims cost and the utilization of services. The risk adjusted resource use per member per month reflects a standard claims cost allowing the data to reflect the utilization variance only.

Source: MHDO, 2015-2017

Portland has the lowest Risk Adjusted Cost per Member per Month (PMPM) and is below the Maine state average for Risk Adjusted Resource Use PMPM from 2015-2017.

MaineHealth is the principal provider of health care in each of its communities and it is reasonable to assume that MaineHealth is the primary contributor to overall performance in these areas of cost. In addition, the above analysis is age and sex adjusted and does not incorporate clinical risk factors as an additional form of adjustment to account for the underlying relative risk of the population being measured.
MMC works in cooperation with insurers and third-party payers through a utilization review process to avoid unnecessary surgeries. As a part of this process MMC uses Milliman Care Guidelines: Inpatient and Surgical Care to assist in determining if a patient's condition meets criteria for surgical care, and then to plan the appropriate surgical setting and manage perioperative care if surgery is needed.

Additionally, MMC involves patients in Shared Decision Making (SDM) for three preference sensitive conditions: prostate cancer, knee or hip osteoarthritis and lumbar herniated disc. Research indicates that SDM reduces the demand for and utilization of surgical interventions.

MMC is a leader in low readmission rates for patients with chronic diseases like Chronic Obstructive Pulmonary Disease (COPD), Heart Attack and Chronic Heart Failure (CHF). U.S. News and World Report (USNWR) named MMC a Best Regional Hospital for several years, most recently in 2017-2018. It is the only hospital in Maine rated as high-performing across the board in all nine of the procedures and conditions on which the USNWR reports: abdominal aortic aneurysm repair, aortic valve surgery, colon cancer surgery, COPD, heart bypass surgery, CHF, hip replacement, knee replacement and lung cancer surgery.

MMC's Capacity, Access and Flow Operations Council focuses on the right care setting for patient needs. MMC has developed this team out of the need for adequate access to critical or advanced care services. This team works with MH members, affiliates and non-members alike.

**MH Clinical, Quality and Population Health Improvement Programs and Initiatives**

MH's vision, "Working together so our communities are the healthiest in America," which highlights an unyielding commitment to the patients and communities served. MH's foundational mission in 1997 - to provide high-quality, cost-effective health care for community members at every stage of life - was built on collaboration, respect, dedication and innovation. Please refer to Section II. - Fit, Willing and Able for more information about how MH approaches its unique responsibility as Maine's leader in not-for-profit healthcare, education and research.

This commitment to improving the health of the populations served differentiates MH from other provider organizations and forms the basis for the development and implementation of many evidence-based and best practice population health, clinical and quality improvement programs. This approach has resulted in numerous successes in achieving positive outcomes over time and supports the engagement of partners in the public and private sectors. To these ends, MH will continue to lead the creation and execution of the types of initiatives and services that prevent and manage conditions and risk factors in areas such as wellness, acute care, chronic disease and transitions of care, funding them through a combination of MH dues and grants.

Since 1999, when MCPH became affiliated with MH, MCPH has been participating in these programs and initiatives. Removing barriers to provide seamless transitions from MCPH providers to MH providers for patients should yield improvements in the health status of residents and patients in the MCPH service area and reduce the use of inpatient services and the number of unnecessary interactions with the healthcare system.

For more detailed descriptions of these initiatives and the outcomes they have produced, as well as additional programs and services MH and MMC offer to improve the health of the communities they serve, please refer to these MH websites:

- For Healthcare Professionals: https://mainehealth.org/healthcare-professionals
- Center for Health Improvement: https://mainehealth.org/healthcare-professionals/center-for-health-improvement
- Health Index Initiative: https://mainehealth.org/about/health-index-initiative

- **Prevention and Wellness**
  - Prevention - This program works to deliver consistent, high-quality, preventive health care across the MH region for adults by providing best-practice, evidence-based tools and support to primary care practice teams. The purpose is to provide a preventive health focus for patients and providers that helps to reduce the prevalence and severity of chronic disease.
  - Healthy Weight – This initiative reaches both children and adults in the community; its flagship initiative is the multi-sector Let's Go! program. Key parts of the initiative include clinical, community and environmental/policy interventions. MH's financial support for this initiative recognizes the importance of preventing obesity as a major driver of healthcare costs, a major risk factor for chronic diseases and a well-documented community epidemic. We work to support our primary care teams in providing evidenced based care related to the prevention, assessment and treatment of pediatric and adult obesity. Additionally, we support our member hospitals in working with a variety of sectors to increase healthy eating and active living in places where children and their families live, work, learn and play. Finally, MH works with a team of hospital food services directors to improve access to healthy foods in order to make the healthy choice the easy choice.
  - Child Health – These programs work on a variety of prevention and public health activities to promote healthy development in children. These include: raising awareness about the long-term effects of Adverse Childhood Experiences (ACEs), increasing access to and rates of childhood immunizations and increasing rates of well-child visits. The program also works with worldwide partners from a variety of sectors to promote lead screening, improve developmental screening in young children and more effectively connect them with services and supports. Through these initiatives and more, MH partners with community based organizations and statewide partners to provide all children in Maine the opportunity to have a healthy start.
  - Behavioral Health Integration – This program works to improve patient care by bringing mental health clinicians into medical settings and by improving the collaboration between medical and mental health providers. The goal of the program is to help people get effective and efficient care for mental and behavioral health problems.

- **Chronic Disease**
The Chronic Disease program seeks to improve care and outcomes for patients with pediatric and adult asthma, COPD and diabetes. They develop and disseminate evidence-based decision support tools, assist with workflow redesign, data collection and reporting, community and policy strategies as well as promoting patient education and self-management.
- Healthy Aging
  Healthy Aging provides support to enable MH to deliver high-quality, cost-effective care in partnership with healthcare professionals and older adults. They also engage local and statewide organizations in the dissemination of evidence-based programs that improve the health status of older adults and their caregivers. The Healthy Aging team delivers programs in the areas of falls prevention, dementia care, safe mobility, post-acute care and palliative care throughout the care continuum and community; some of these are described below.
  o Falls prevention within inpatient, outpatient and community settings, including implementation of the Matter of Balance Volunteer Lay Leader Model throughout Maine and 40 other states.
  o Hospital Elder Life Program improves hospital care for older patients, helping them to make the most of their hospitalization and decrease the likelihood of delirium.
  o Inpatient Geriatric Consultation.
  o Early Dementia Detection Pilot utilizes a screening tool called the Mini Cog with patients 65+ during the annual wellness visit; patients who screen positive follow-up with a provider for a more comprehensive assessment.
  o Support providers with tools and resources in their implementation of the Annual Wellness Visit for patients 65+.
  o Patient Transfers between SNFs and EDs is a project focusing on improving communication and documentation between these two care settings.
  o Post-acute Care Continuum supports an internal structure for quality improvement initiatives and improved transitions between care settings.
  o Serious Illness Implementation Collaborative trains clinical teams on how to have meaningful conversations with patients and their families about their values, wishes and goals for care.
  o The Palliative Care Program promotes palliative care across the system. The initiative includes clinician education about palliative care including identification of patients who may benefit from palliative care, provision of palliative services for complex medical conditions, addressing ethical issues and engaging patients in discussing goals of care. The program promotes the use of Physician Orders for Life Sustaining Treatment (POLST) within each MH institution as well as community-based advance directive/care planning.
  o MH Alzheimer's Partnership is a three-year grant-funded project to improve MH's dementia capability by strengthening training for community-based service providers to identify dementia at early stages, expanding existing services, implementing new evidence-based programming and improving the bidirectional referrals between the health system and community-based organizations.

- Acute Care
  o The Emergency Medicine Program improves the quality of care received by patients in the emergency departments of MH member and affiliate hospitals. The program works to streamline processes and to effectively meet the acute medical needs of patients in the emergency department.
  o The MH Informatics Committee directs the integration of best practices into the electronic health record to advance the practice and delivery of care to patients.
across all care settings. This Committee’s work is informed by the evaluation of patient outcomes, quality measures, financial markers and clinical satisfaction.

- Surgical Quality Collaborative – The goal of the MH Surgical Quality Collaborative is to create a collaborative encompassing surgical and quality staff from system hospitals to foster learning, measure improvement and use empirical data to improve the quality, safety and value of surgical care.

- Antimicrobial Stewardship – The Antimicrobial Stewardship Program is a system-level initiative to promote the appropriate use of antimicrobial medications, to include antibiotics, antifungals and antivirals. The purpose is to improve patient outcomes and reduce microbial resistance while decreasing the spread of infections caused by multidrug-resistant organisms.

- Anticoagulation Management – The goal of the Anticoagulation Management Program is to use a systematic and coordinated approach to establish policies and best practices in the use of anticoagulants throughout the system. This initiative aims to leverage member hospital expertise to create system-wide protocols such as in-transit anticoagulation therapy, dosing and administration, reversal, use in patients who have specific disease states such as atrial fibrillation or venous thromboembolism.

- Other Initiatives

  - Patient Centered Medical Home Program supports the MH Members’ strategy for creating a strong primary care network by assisting primary care practices with Patient Centered Medical Home transformation. Efforts include increasing regional capacity in quality improvement and practice redesign by offering learning collaboratives for practices, a coach development program and providing educational opportunities including the dissemination of tools and resources. Our Advanced Primary Care strategy assists practices in achieving the Triple Aim: improving patient experience, population health and reducing costs. Activities seek to ensure a high-quality patient experience and improved provider and care team satisfaction.

  - The Telehealth Program works to improve the health status of our communities by integrating, advancing and optimizing the use of telehealth technologies. Current telehealth technologies include connections between hospitals, such as bringing specialists to rural areas, connecting providers to patients’ homes and remote monitoring of patients in critical care units in most MH hospitals.

  - Subsidized Health Services
    - CarePartners – The program coordinates donated healthcare services for low income and uninsured Mainers in Cumberland, Kennebec, Knox, Lincoln, Waldo and York Counties. CarePartners also helps members of the target population by assessing their eligibility for other assistance programs, enrolls them for prescription assistance programs if needed and offers general case management support.
    - MedAccess – The program provided access to approximately $25.1 million of free medications in FY17, with 8,606 applications completed for more than 2,098 patients. MedAccess provides this community resource to uninsured and underinsured community members through the Patient Assistance Programs (PAPs). In addition to this service, MedAccess offers
application assistance for other prescription access programs, local low-cost
generic programs and other state and federal programs either in-person or
through a toll-free number (therefore, MH only counts the staff and program
costs/support as a "net community benefit investment" here and not the
actual dollar figure of free medications provided through the program).
MedAccess has offices in York, Cumberland, Oxford, Franklin, Waldo,
Knox and Kennebec counties.

* Other Access Assistance – MH’s Coverage Team helps uninsured or
underinsured individuals explore their eligibility for various MaineCare and
ACA/Marketplace coverage programs and benefits. Working closely with the
CarePartners and MedAccess programs, Coverage Team staff members help
individuals complete application forms and submit necessary documents to
secure coverage for their unique healthcare situation. For the 2017 Open
Enrollment period, the team collectively educated 732 individuals on the
ACA and enrolled a total of 320.

B. CONU Discussion

i. CON Standard

The relevant standard 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 as established in Title 24-A, section
6951, when the principles adopted by the Maine Quality Forum are directly applicable to the
application.

ii. CON Analysis

This project does not result in the addition of new health services or the intended expansion of
existing services. MH works with third-party payers and insurers to avoid unnecessary surgeries
through a utilization review process. MMC participates in MaineHealth’s population-based
initiatives (health status improvement, clinical integration and quality improvement) which will
have a positive impact on utilization.

The applicant refers to Milliman Care Guidelines (MCG). MCG is a tool developed to support
and document effective care. This process is achieved by identifying quality care practices.
These practices marshal treatment resources, and when properly utilized avoid the overuse of
medical resources. These tools should provide an evidence-based foundation for care
management, case management and utilization review.

iii. Conclusion

CONU recommends that the Commissioner find that the applicant has 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. Timeline Criteria

Letter of Intent filed
Technical Assistance Meeting held on
CON Application filed
CON Application certified as complete
Public Hearing held
Close of Public Record

- September 13, 2016
- October 6, 2016
- March 14, 2017
- March 14, 2017
- June 14, 2017
- July 14, 2017
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:

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; and

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.