

**BRISTOL HOSPITAL AND HEALTH CARE GROUP, INC.**  
**OHCA DN: 14-31928-486; AG DN: 14-486-03**

**APPLICATION FOR APPROVAL OF THE PROPOSED ASSET PURCHASE**

- 1. Identify the contact information for BHHC, Tenet, and YNHH, including the individual(s) to whom the Attorney General and the Department of Public Health shall submit bills for contracts with experts or consultants.**

Bristol Hospital and Health Care Group, Inc.:

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 Bristol Hospital and Health Care Group, Inc.  
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Tenet Healthcare Corporation:

Jeffrey Peterson, Senior Counsel  
 Tenet Healthcare Corporation  
 1445 Ross Avenue, Suite 1400  
 Dallas, TX 75202  
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 Email: [jeff.peterson@tenethealth.com](mailto:jeff.peterson@tenethealth.com)

Yale-New Haven Health Services Corporation:

Nancy Rosenthal  
 Senior VP, Health Systems Development  
 789 Howard Avenue  
 New Haven, CT 06519  
 Phone: (203) 688-5721  
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 Email: [nancy.rosenthal@greenwichhospital.org](mailto:nancy.rosenthal@greenwichhospital.org)

Please submit bills for Attorney General and Department of Public Health experts or consultants to the attention of Jeffrey Peterson.

- 2. Provide an executive summary of the application for approval.**

**INTRODUCTION**

**BRISTOL HOSPITAL AND HEALTH CARE GROUP, INC.**  
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This Application is submitted by Bristol Hospital and Health Care Group, Inc. (“BHHCG”), the parent company and sole member of Bristol Hospital, Inc. (the “Hospital”), Tenet Healthcare Corporation (“Tenet”) and Yale-New Haven Health Services Corporation (“YNHHS”) for approval to transfer certain of the assets of BHHCG, including the Hospital, to VHS Bristol Health System, LLC (“VHS Bristol”), a to-be-formed, for profit entity owned by a joint venture between Tenet and YNHHS. Tenet will own 80% of the membership interest in the joint venture and YNHHS will own 20%. Pursuant to the terms of the proposed Asset Purchase Agreement (“APA”), attached as *Exhibit 1*, the estimated purchase price is \$50,000,000 less certain adjustments for capital leases, pension liabilities, retirement obligations and certain assumed liabilities, with a commitment to provide \$45,000,000 in additional capital projects to benefit the Hospital and its service area.

Proceeds from the proposed asset purchase will allow BHHCG to: retire all of its existing debt; provide needed capital for improvements; provide greater opportunities for new and expanded service line development; improve physician recruitment and retention; improve the Hospital’s ability to respond to incentives under healthcare reform; realize economies of scale to reduce costs; realize operating efficiencies; and improve the quality of care and services to patients in the BHHCG community.

BHHCG conducted a thorough and extensive process to determine the proposed course of action. Directors and senior management worked extensively and concluded that affiliation with a larger health system would better position BHHCG to be able to continue to meet the health care needs of its community. A diligent request for proposal and proposal review process led to the decision to sell BHHCG’s assets to a new joint venture company to be formed by Tenet and YNHHS. Extensive due diligence and a fairness evaluation were completed.

This proposal enables BHHCG to move from a small health care system to a large national health care system that offers resources, systems, and efficiencies which are essential for long term success in the evolving health care marketplace. Tenet will bring the strength of its national system to the service area of BHHCG and provide innovation that BHHCG could not do independently. Tenet offers both financial strength and health care experience, with the latter further enhanced through its partnership with YNHHS.

For at least ten years, VHS Bristol will cause the Hospital to provide Essential Services to the community. At closing, Tenet or an affiliate will offer employment to all employees of BHHCG and its affiliates. Existing union contracts will also be honored. An advisory board of trustees (the “Local Board”) made up of community representatives, physicians on the Hospital’s medical staff, and the Chief Executive Officer and current Board Chair of the Hospital will be established with significant rights and duties. Tenet will establish a new

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medical foundation that will offer employment to all physicians employed by BHHCG or its affiliates.

THE PARTIES

**BHHCG**

BHHCG is the parent company and sole member of the Hospital. Both BHHCG and the Hospital are Connecticut non-stock, 501(c)(3) corporations which hold interests in numerous entities, joint ventures and affiliates. The Hospital, which was founded in 1919, is BHHCG's primary asset, and is an acute care facility with 154 licensed beds, located at Brewster Road in Bristol, Connecticut. In addition to the Hospital, BHHCG assets include the following:

- Bristol Hospital EMS, LLC, a licensed EMS organization, responds to all 911 emergencies in the City of Bristol as well as providing scheduled medical transportation services. Its EMS Regional Training Center provides emergency medical education including EMT training, CPR and first aid training;
- Bristol Health Care, Inc. including its subsidiary Ingraham Manor, which is a Skilled Nursing Facility located at 400 North Main Street in Bristol;
- 50% ownership interest in Bristol MSO, LLC;
- 49% ownership interest in Medworks, LLC;
- 33% ownership interest in Connecticut Occupational Medicine Partners, LLC;
- 14.1% ownership interest in Total Laundry Cooperative, LLC;
- 6.5% ownership interest in Central Connecticut Endoscopy Center, LLC; and,
- 4.54% ownership interest in CT Hospital Laboratory Network

(The Hospital's interest in MedConn Collection Agency, LLC was sold and Health Connecticut, LLC is no longer an active entity).

As part of the proposed transfer, BHHCG and Tenet will restructure BHHCG's medical foundation, Bristol Hospital Multispecialty Group, Inc., ("BHMSG"). Consistent with Connecticut law, this restructuring will take the form of a transfer of the assets and liabilities

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of BHMSG to a new medical foundation, the sole member of which will be Tenet or an affiliate of Tenet.

**TENET**

Tenet is an investor-owned health care services company founded in 1976. Tenet owns 80 acute-care hospitals in 14 states and approximately 200 outpatient centers in 16 states as well as 6 health plans, 12 accountable care networks and Conifer Health Solutions, LLC, which provides business process solutions to more than 700 hospitals and other clients nationwide.

In 2013, Tenet acquired Vanguard Health Systems, Inc. (“Vanguard”), creating the third largest investor-owned hospital company in the United States. Tenet has expertise and experience in new care delivery models both in hospitals and outpatient settings. Tenet does not provide direct health care services but invests time, talent and capital in local health care networks. Tenet invests in facilities and technology to allow providers to remain competitive and enhance the care provided to communities. Tenet’s management services now support value-based performance through clinical integration, financial risk management and population health management. Tenet has participated, either directly or through the experience of Vanguard, in some of the groundbreaking trials established and supported by the Centers for Medicare and Medicaid Services (“CMS”) to redesign healthcare to a new model which focuses on value rather than volume.

Tenet is focused on the best performance in terms of clinical quality and safety and offers superior quality and patient services to meet community needs. Tenet has sustainable and flexible access to capital to invest which will help improve the quality of health care delivered to BHHCG’s community residents. Tenet is committed to investing and guiding Connecticut’s future health care system.

**YNHHS**

YNHHS was formed in 1996 to enhance the quality and scope of healthcare services for residents of Connecticut and beyond. In February 2014, YNHHS reached a partnership agreement with Tenet Healthcare that supports YNHHS’s goal of providing accessible, patient-centered care in association with local community hospitals throughout the region. As a Health System, YNHHS is committed to investing in unique solutions to challenges in the Connecticut region. YNHHS takes pride not just in its accomplishments, but in a vision that is shared among its partners as they move healthcare forward.

With a total licensed bed count of 2,130, YNHHS includes three delivery networks: Bridgeport Hospital, Greenwich Hospital and Yale-New Haven Hospital, and a medical foundation,

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Northeast Medical Group. YNHHS has clinical relationships with several other hospitals in Connecticut and numerous outpatient locations throughout the state.

YNHHS' hospitals have achieved national and international recognition for its high standard of patient care, outcomes and service excellence. They have received national and regional awards and accreditations by various organizations including the U.S. News and World Report, the Joint Commission, the American College of Surgeons, National Cancer Institutes and Press-Ganey.

YNHHS is affiliated with Yale University and Yale University's School of Medicine in support of innovations in patient care, medical education and clinical research.

- 3. Describe the terms of the proposed joint venture between Tenet and YNHHS (the "Joint Venture" or the "New BHHCG Hospital"). This section should include, but is not limited to, a financial analysis of the transaction and descriptions of Tenet, YNHHS, the new Joint Venture entity that is to be formed between Tenet and YNHHS, the assets to be transferred pursuant to the Joint Venture, any other possible undertakings of the Joint Venture, and the Joint Venture's expected financial state and proposed governance structure after the transaction. Provide copies of all contracts, agreements, memoranda of understanding, and pro forma financial statements relating to the proposed Joint Venture.**

Recognizing the dramatic shift within the Connecticut health care environment and beyond, last year Tenet and YNHHS announced an innovative partnership. Under the terms of the proposed partnership, Tenet and YNHHS have agreed to establish a joint venture to serve as the vehicle pursuant to which they will acquire various health care providers, including hospitals in Bristol, Manchester and Rockville. YNHHS will be a minority member, but will serve as a strong clinical partner. Through this unique partnership, Tenet can bring extraordinary scale to reduce costs, as well as critical access to capital. At the same time, YNHHS can provide nationally-recognized specialty care that amplifies – but does not replace – existing care in the community.

The terms of the proposed joint venture have not been fully negotiated and documents have not yet been drafted. Tenet and YNHHS intend, however, to establish the Regional Provider as a limited liability company that will be owned 80% by VHS of Connecticut, LLC, a subsidiary of Tenet, and 20% by YNHHS. The Regional Provider will in turn have a 100% membership interest in VHS Bristol, the entity that will purchase the assets of BHHCG.

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The Regional Provider is expected to serve as the exclusive vehicle (subject to certain exceptions) of Tenet and YNHHS for the acquisition (through directly or indirectly owned subsidiaries) of any ownership interest in any healthcare facility and provider in Connecticut, New York, Rhode Island and parts of Massachusetts (which may include acute care providers, skilled nursing facilities, ambulatory surgery centers, physician organizations, home health agencies, and other clinical providers). The Regional Provider will be governed by a seven (7) member Board of Managers, five (5) of whom will be appointed by Tenet and two (2) of whom will be appointed by YNHHS, provided that YNHHS will have approval rights related to material decisions. The day-to-day operations of each subsidiary of the Regional Provider will be managed by an affiliate of Tenet pursuant to one or more management services agreements.

- 4. Describe the terms of the proposed Asset Purchase. This section should include, but is not limited to, a financial analysis of the transaction (e.g., projected sources and uses of proceeds and the valuations of included and excluded assets) and descriptions of BHHCG, the Joint Venture, the assets to be transferred pursuant to the Asset Purchase and any assets excluded from transaction, the assumed and excluded liabilities of the Asset Purchase, and the Joint Venture's other undertakings, including, but not limited to, the commitment to spend \$45 million dollars on capital projects to benefit Bristol Hospital. Provide copies of all contracts, agreements, memoranda of understanding, and pro forma financial statements relating to the proposed Joint Venture.**

DESCRIPTION OF BHHCG AND THE JOINT VENTURE

Please see responses to Question 2 for a description of BHHCG and to Question 3 for a description of the Joint Venture.

TERMS OF THE ASSET PURCHASE AGREEMENT

The key terms of the Asset Purchase Agreement are described below. All capitalized terms used below are defined in the Asset Purchase Agreement.

**Purchase Price**

Pursuant to the terms of the proposed Asset Purchase Agreement, VHS Bristol will pay \$50 million for BHHCG's assets including Bristol Hospital and the Hospital Businesses and Joint Ventures subject to certain adjustments, including a Net Working Capital adjustment and reductions for capital leases, pension liabilities related to the frozen defined benefit pension plan, accrued post-retirement obligations and Assumed Liabilities. (See Exhibit 1, Section 2.05)

**Assets Included in the Transaction**

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The assets to be purchased by VHS Bristol include:

- the Owned Real Property;
- the Leased Real Property;
- all equipment and other tangible personal properties owned or leased by BHHCG;
- all current assets included in Net Working Capital;
- all records of the Hospital Businesses;
- the Assumed Contracts;
- all Permits of BHHCG;
- the Intellectual Properties and the Information Systems;
- all real, personal, mixed, tangible or intangible property of BHHCG acquired prior to the Closing Date;
- the Investment interests in the Joint Ventures;
- subject to Section 5.15 of the Asset Purchase Agreement, all insurance proceeds with respect to the Assets or the Assumed Liabilities (including insurance proceeds received by BHHCG or payable to BHHCG and all deductibles, copayments, and self-insurance requirements payable by BHHCG) arising in connection with damage to the Assets occurring on or prior to the Closing Date to the extent not expended for the repair or restoration of the Assets;
- claims of BHHCG against third parties relating to the Assets or the Assumed Liabilities, choate or inchoate, known or unknown, contingent or otherwise, other than those described in Section 3.23 of the Asset Purchase Agreement and other claims relating to the Excluded Assets or Excluded Liabilities;
- general intangibles of the Hospital Businesses including goodwill;
- BHHCG's provider agreements with Government Payment Programs;

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- All proceeds of the foregoing and except for the Excluded Assets, all other property, of every kind, character, or description, tangible and intangible, known or unknown, owned or leased by BHHCG wherever located and whether or not reflected in the Financial Statements or similar to the properties described above.

(See *Exhibit I*, Section 2.01)

**Assets Excluded from the Transaction**

The assets to be excluded from the transaction and retained by BHHCG include:

- any financial, patient, medical staff, personnel and other records of the Hospital Business that BHHCG cannot transfer due to applicable Legal Requirements or contractual requirements by which BHHCG is bound;
- cash, marketable securities and other cash equivalents (including the Purchase Price payable to BHHCG) of BHHCG or the Hospital Businesses;
- all short-term and long-term Investments, except for the Investment interests in the Joint Ventures;
- board-designated, restricted, and trustee-held or escrowed funds (such as funded depreciation, debt service reserves, self-insurance trusts, malpractice self-insurance fund, working capital trust assets, and assets and investments restricted as to use), donor restricted assets, beneficial interests in charitable trusts, trusts related to employee benefits and any self-funded worker's compensation deposit of the Hospital Businesses, and accrued earnings on all of the foregoing;
- inventory and supplies and Assets disposed of, prior to the Closing Date in the ordinary course of the Hospital Business;
- Cost Report settlement receivables and all appeal rights relating thereto;
- all funds held by trustees pursuant to bond indentures of BHHCG (including the Indenture);
- all deductions, benefits, claims, refunds, receivables and other rights of BHHCG relating to Taxes in respect of periods ending on or before the Closing Date or resulting from the consummation of the Transaction;

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- all current assets of BHHCG that are not included in Net Working Capital and all deferred expenses;
- all Immaterial Contracts that are listed or described in Section 2.02(j) of the Asset Purchase Agreement and all other Contracts that are not Assumed Contracts;
- all Permits not legally assignable to VHS Bristol or not relating to the ownership of the Assets and the conduct of the Hospital Businesses;
- the corporate or trade names set forth in Section 2.02(l) of the Asset Purchase Agreement and all Intellectual Property rights relating thereto;
- all physician loans and receivables other than repayment obligations under Assumed Contracts;
- all right, title and interests in, and assets and properties (whether owned, leased or otherwise) related to Bristol Hospital Development Foundation, Inc.;
- all insurance proceeds received by BHHCG or payable to BHHCG (i) with respect to the Excluded Assets or the Excluded Liabilities, or (ii) that BHHCG is entitled to retain pursuant to Section 5.15 of the Asset Purchase Agreement;
- the Proceedings described in Section 3.23 of the Asset Purchase Agreement, appeals and other risk settlements of the Hospital Businesses which arose during or relate to a pre-Closing period, and all rights, remedies, claims and defenses against third parties thereunder or otherwise relating solely to the Excluded Assets or to the Excluded Liabilities, whether choate or inchoate, known or unknown, contingent or otherwise;
- all right, title and interest in the assets and properties (whether owned, leased or otherwise) of the Parent and Child Program as currently operated by BHHCG;
- any other assets identified in Section 2.02(q) of the Asset Purchase Agreement, or excluded after the execution of this Agreement by mutual written agreement of the parties; and
- all proceeds of the foregoing.

(See *Exhibit 1*, Section 2.02)

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**Assumed Liabilities**

The liabilities to be assumed by VHS Bristol after the Closing include:

- the current liabilities included in Net Working Capital, but only to the extent accrued on the Closing Balance Sheets;
- all obligations of BHHCG arising under the Assumed Contracts with respect to periods following the Closing Date;
- all participating provider agreements and provider numbers with third party payors, including contracts and provider numbers of Governmental Payment Programs, to the extent the same are assignable;
- all paid time off accruals of the Hired Employees (other than Extended Illness Bank Obligations) and estimated Taxes thereon;
- the Extended Illness Bank Obligations;
- Permitted Encumbrances;
- any pension liability of BHHCG relating to its frozen defined benefit pension plan;
- any accrued post-retirement or other retirement obligation described in Section 2.03 of the Asset Purchase Agreement; and
- the other liabilities and obligations agreed to be assumed by VHS Bristol Health System, Inc., described in Section 2.03 of the Asset Purchase Agreement.

(See *Exhibit 1*, Section 1.01(7))

**Liabilities Retained by BHHCG**

The liabilities to be retained by BHHCG after the Closing include:

- all liabilities accrued on the Closing Balance Sheets, to the extent: (i) not included in Net Working Capital; or (ii) relating to capitalized lease obligations constituting Assumed Contracts;
- liabilities or obligations for Taxes of the Hospital Businesses in respect of periods ending on or before the Closing Date;

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- liabilities or obligations for federal or state income Taxes of BHHCG or any Affiliate of BHHCG, including any amounts accrued or incurred by the Hospital Businesses in respect of periods ending on or before the Closing Date, as a result of being a member of a consolidated, affiliated, combined, unitary or similar group that includes such other Persons;
- liabilities or obligations relating to the Excluded Assets;
- liabilities or obligations associated with indebtedness for borrowed money (other than capital lease obligations under any Assumed Contract);
- (i) obligations required to be performed by BHHCG on or before the Closing Date under the Assumed Contracts, (ii) liabilities or obligations resulting from a breach or default on or before the Closing Date of any Assumed Contracts, and (iii) liabilities arising under any Contracts that are not Assumed Contracts;
- liabilities or obligations arising out of or in connection with the Proceedings described in Section 3.23 of the Asset Purchase Agreement, and Proceedings and claims (whether instituted before or after Closing) relating to acts or omissions that allegedly occurred on or before the Closing Date, including those relating to the peer review activities;
- liabilities or obligations under the Hill-Burton Act or other restricted grant or loan programs;
- except for (x) paid time off accruals of the Hired Employees and Extended Illness Bank Obligations, and (y) obligations under Assumed Contracts (including but not limited to BHHCG's frozen Employee Pension Benefit Plan), liabilities and obligations to BHHCG's employees, Employee Benefit Plans, the Internal Revenue Service, PBGC or any other Governmental Authority arising from or relating to periods before Closing (whether or not triggered by the transactions contemplated by this Agreement and whether or not imposed by Legal Requirements directly on VHS Bristol as the transferee of the Assets or successor to the Hospital Businesses), including liabilities or obligations arising under any Employee Benefit Plan, EEOC claim, unfair labor practice, and wage and hour practice, and liabilities or obligations arising under the WARN Act;
- Cost Report settlement payables relating to all Cost Report periods ending on or before the Closing Date;

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- liabilities or obligations of BHHCG, including arising out of the operation of the Hospital Businesses or ownership of the Assets, with respect to periods ending on or before the Closing Date, or resulting from the consummation of the transactions contemplated by this Agreement, including pursuant to third-party payor programs and Government Payment Programs, including recoupment rights of the Centers for Medicare & Medicaid Services or the Connecticut Department of Social Services and recapture of previously reimbursed charges or expenses; and
- penalties, fines, settlement, interest, costs and expenses arising out of or incurred as a result of any actual or alleged violation by BHHCG of any Legal Requirement.

(See *Exhibit I*, Section 2.04)

**Capital Commitment**

Within five (5) years of the Closing and in consultation with the Local Board, VHS Bristol agrees to spend not less than \$45 million on capital projects including routine and non-routine capital expenditures and the acquisition, development and improvement of hospital, ambulatory, or other healthcare services at or for the benefit of the Hospital Businesses and within greater Bristol, Connecticut, in accordance with the Strategic Business Plan. It is expected that the Strategic Business Plan and associated budget will include: (i) opportunities to expand the Hospital Businesses' service lines within the community; (ii) supporting recruitment and retention of primary care and specialty care physicians in the community, and employing or contracting with such physicians by an entity aligned or affiliated with the Hospital; (iii) developing a tertiary affiliation and becoming part of a network or system of health care providers that spans the care continuum, and includes preventive care, ambulatory care, urgent care, acute care, chronic care, post-acute care, behavioral health care, rehabilitation, and home care services accessible to the community; and (iv) developing or obtaining the information technology, medical home and medical management infrastructure to provide patient-centric, population health management and assume financial risk for managing the quality and cost of health care services provided to defined populations in the community. After the Strategic Business Plan is developed, any material modification to the Strategic Business Plan and/or associated budget shall be subject to the prior approval of the Local Board. In the event that any Legal Requirement is enacted or imposed after the Closing that: (i) discriminates against, or adversely affects a disproportionate number of stock hospitals or other for-profit healthcare entities; or (ii) causes the Hospital Businesses to suffer a material decline in EBITDA on a consolidated basis, VHS Bristol shall consult with the Local Board to determine an alternate capital commitment approved by both the Local Board and VHS Bristol that is reasonable and appropriate in light of the changed circumstances. (See *Exhibit I*, Section 5.20)

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**Local Hospital Board**

As of the Closing, a local hospital board (the “Local Board”) will be established consisting of ten (10) members to include four (4) physician members of the Medical Staff, five (5) community leaders (“Community Trustees”) and the CEO. The Initial Community Trustees shall be selected by BHHCG from the current BHHCG Board and shall include the current BHHCG Board Chairperson. During the five (5) year period following the Closing Date, (the “Initial Period”), the Initial Community Trustees together with a VHS Bristol representative shall serve as the nominating committee to fill expired or vacant Initial Community Trustee positions on the Local Board. (See *Exhibit 1*, Section 5.17)

During the Initial Period (or such longer period as noted), the following actions shall require approval of the Local Board:

- (a) Of any amendment to the Local Board Bylaws that would affect the structure, membership, duties or authority of the Local Board or change powers reserved to the Local Board;
- (b) Of material modifications to the Strategic Business Plan;
- (c) Of the appropriate or necessary manner, for ten (10) years after Closing, by which VHS Bristol will provide Essential Services;
- (d) Of any sale or transfer of all or substantially all of the stock or membership interests of VHS Bristol, or of all or substantial assets used in the operation of the Hospital Businesses, including, without limitation, the Investment interests in the Joint Ventures, or any proposed merger, consolidation spin-off, liquidation or dissolution of VHS Bristol or any other entity that owns all or substantial assets comprising the Hospital Businesses.

(See *Exhibit 1*, Sections 5.17, 5.18, 5.21 and 5.30)

**Employees and Benefits**

VHS Bristol will offer employment to all active employees of BHHCG in good standing as of the Closing, on the same terms and conditions with respect to job duties, titles, locations and responsibilities as provided by BHHCG, and at the salaries provided by BHHCG, subject to the satisfactory completion of Tenet’s usual and customary hiring practices. VHS Bristol will provide employee benefits consistent with employee benefit plans offered by other hospitals operated by Tenet in similar markets. (See *Exhibit 1*, Section 5.03)

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VHS Bristol will assume the assets and liabilities of the BHHCG frozen Employee Pension Benefit Plan and will assume all collective bargaining agreements of BHHCG that pertain to the Hospital Businesses. (See **Exhibit 1**, Section 5.03)

**Medical Staff**

Medical Staff members of the Hospital who are in good standing as of the Closing shall maintain medical staff privileges following the Closing.

VHS Bristol will assume BHHCG employment agreements with physicians. In addition, following the Closing Date, VHS Bristol shall involve physicians on the Hospital's medical staff in strategic and capital planning processes for the Hospital Businesses, to insure that the critical needs of the medical staff are met and that strategic initiatives and investments in the Hospital Businesses are prioritized to meet the needs of physicians who practice at the Hospital and their patients. (See **Exhibit 1**, Section 5.24)

For a period of five (5) years after Closing, VHS Bristol agrees to consult with the Local Board prior to: (i) replacing a hospital-based medical group or physician; or (ii) placing any VHS Bristol or Affiliate employed physician at any location within the Hospital's service area.

VHS Bristol will encourage and support participation by both independent and employed physicians who are members of the Hospital's medical staff in the VHS Bristol Physician Leadership Council. (See **Exhibit 1**, Section 5.24)

**Other Commitments**

- Essential Services

For at least ten (10) years after Closing, VHS Bristol will cause the Hospital Businesses to provide the Essential Services in the manner deemed necessary or appropriate in the discretion of the Local Board. (See **Exhibit 1**, Section 5.18).

- Quality Care

VHS Bristol agrees to maintain or enhance BHHCG's historic commitment to quality, safety, and patient satisfaction, including maintaining appropriate enrollment, certifications, and accreditations necessary to receive reimbursement under Government Payment Programs, and shall strive to ensure that the Hospital Businesses meet identified targets and goals with respect to regulatory, quality and safety targets and patient experience measures. (See **Exhibit 1**, Section 5.18)

- Charity Care

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BHHCG has historically provided significant levels of care for indigent and low-income patients and has also provided care through a variety of community-based health programs. VHS Bristol will ensure that the Hospital Businesses maintain and adhere to BHHCG's current policies on charity care, indigent care and community benefit or adopt other policies and procedures that are at least as favorable to the indigent and uninsured in the aggregate as BHHCG's existing policies. For the Initial Five Year period, VHS Bristol shall consult with the Local Board with respect to any proposed changes in such policies and procedures. (See *Exhibit 1*, Section 5.19)

- Community Health Programs

VHS Bristol will strive to provide care through community-based health programs, including by cooperating with local organizations that sponsor health care initiatives to address community needs and improve the health status of the elderly, poor, and at-risk populations in the community. (See *Exhibit 1*, Section 5.19)

**Termination Prior to Closing**

The Asset Purchase Agreement may be terminated at any time: (i) by mutual consent of the parties; (ii) by Tenet if any event occurs or condition exists which causes BHHCG to be unable to satisfy one or more conditions to the obligations of Tenet to consummate the transaction; (iii) by BHHCG if any event occurs or condition exists which causes Tenet to be unable to satisfy one or more conditions to the obligation of BHHCG to consummate the transaction; and (iv) by either party if the Closing Date shall not have taken place on or before a date to be mutually agreed upon by the parties. (See *Exhibit 1*, Section 8.04(a))

**Right of First Refusal**

For a period of ten (10) years following the Closing, BHHCG (or a designee of BHHCG who is not a competitor of VHS Bristol) will have a right of first refusal to purchase substantially all of the equity interests or assets in VHS Bristol or the Hospital Businesses that are the subject of an Offer for the consideration to be paid pursuant to the Offer. The right of first refusal applies to Offers that relate solely or principally to the Hospital Businesses (or Assets related thereto) and does not apply to corporate-level transactions involving Tenet Healthcare Corporation's stock or securities or sales of any or all Hospital Businesses required by a Governmental Authority or a sale, merger or other transaction that does not relate solely or principally to the Hospital Businesses. (See *Exhibit 1*, Sections 5.22 and 1.01 (69))

**Covenant Not to Compete**

For a period of five (5) years from the Closing Date, BHHCG will not, directly or indirectly: (i) own, lease, manage, operate, control, be employed by, maintain or continue

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any interest or participate in any manner with the ownership, leasing, management, operation or control of any business that offers services in competition with the Hospital Businesses within a thirty mile radius of the Hospital; (ii) employ or solicit the employment of any Hired Employee; (iii) induce, cause or attempt to induce or cause any Person (including any physician employee or medical staff member) to replace or terminate any Contract for the provision or arrangement of health care services from the Hospital Businesses with products or services of any other Person after the Closing Date; or (iv) request, induce or cause any physician employee or medical staff member to terminate any Contract with or change practice patterns at the Hospital Businesses. BHHCG and its Affiliates will not be precluded from participating in the following activities that promote health care services for residents of the communities historically served by BHHCG and its Affiliates through the Hospital: development, ownership, and operation of indigent or charity care clinics and services; preventative care programs and services and educational programs; health screening services; child care services, social welfare, and other non-medical services for women, infants and children or parent/child services; and other similar services or programs intended to better serve the health care needs of the community's indigent population in the area within a 30 mile radius of the Hospital that are not directly competitive with services to be provided by VHS Bristol . (See *Exhibit 1*, Section 5.11)

**Indemnification**

Subject to certain limitations set forth in the Asset Purchase Agreement, BHHCG shall indemnify VHS Bristol against: (i) any breach of any representation or warranty under the Asset Purchase Agreement or any Closing Document to which BHHCG is a party; (ii) any breach, or any failure by BHHCG to perform, any covenant or agreement required to be performed by BHHCG under the Asset Purchase Agreement or any Closing Document; (iii) any of the Excluded Liabilities; and (iv) any actual damages resulting from claims by any creditor of BHHCG that the transfer of Assets constitutes a fraudulent conveyance or is avoidable under state or federal Legal Requirements. The indemnity is subject to a \$500,000 floor and \$10,000,000 cap. BHHCG agrees to maintain a \$2,500,000 indemnity reserve for a period of three (3) years after the Closing (subject to certain extensions if a claim is filed) to pay any indemnification claims. (See *Exhibit 1*, Sections 9.01 and 9.02)

VHS Bristol shall indemnify BHHCG against: (i) any breach of any representation or warranty by VHS Bristol under the Asset Purchase Agreement or in any Closing Document to which VHS Bristol is a party; (ii) any breach, or any failure by VHS Bristol to perform any covenant or agreement required to be performed by VHS Bristol under the Asset Purchase Agreement or any Closing Document; (iii) the Assumed Liabilities; (iv) VHS Bristol's use of BHHCG's controlled substances licenses and the operation of the pharmacies and laboratories as provided in Section 5.08 of the Asset Purchase Agreement; and (v) any claim with respect to the ownership of the Assets or the operation of the

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Hospital Businesses by VHS Bristol following the Closing Date. The indemnity is subject to a floor of \$500,000 and a cap of \$10,000,000. (See **Exhibit 1**, Sections 9.03 and 9.04)

**Guarantee of VHS Bristol Obligations**

Tenet Healthcare Corporation unconditionally guarantees full, punctual and complete performance by VHS Bristol of all of its obligations under the Asset Purchase Agreement and the Closing Documents. The guarantee is a continuing guarantee, will remain in full force and effect indefinitely and will not be affected or discharged by any bankruptcy proceeding with respect to VHS Bristol, or any development affecting the legal capacity of VHS Bristol or the enforceability of the Asset Purchase Agreement or any Closing Documents against VHS Bristol (See **Exhibit 1**, Section 10.23)

**Termination Fee**

In the event either BHHCG or VHS Bristol refuses to close the transactions contemplated by the Asset Purchase Agreement when all conditions are met, then the breaching party shall pay to the other party a termination fee equal to \$2.5 million. (See **Exhibit 1**, Section 8.04)

**FINANCIAL ANALYSIS OF TRANSACTION**

The purchase price of \$50 million, is inclusive of \$7 million of normalized net working capital (negotiated to be the normalized net working capital required by BHHCG). Net working capital is defined as the amount by which non-cash current assets acquired by VHS Bristol exceed current liabilities assumed by VHS Bristol. At the time of the Closing, any net working capital amount above \$7 million would be a positive purchase price adjustment and any net working capital amount below \$7 million would be a negative purchase price adjustment. As of the September 30, 2014 draft balance sheet, the net working capital amount was (\$0.673 million) resulting in a potential negative purchase price adjustment of \$7.67 million if net working capital remains the same as of the Closing Date. (See **Exhibit 1**, Section 2.05)

The Purchase Price is reduced by the amount of the VHS Bristol Assumed Liabilities that include: (i) the book value of any capital leases as of the Closing; (ii) pension liabilities of BHHCG pursuant to its frozen defined benefit pension plan; (iii) any accrued post-retirement or other retirement obligations; and (iv) other Assumed Liabilities (other than those included in Net Working Capital). As of the September 30, 2014 draft balance sheet these Assumed Liabilities are \$27.24 million and the purchase price is reduced by this amount. The pension liabilities and capital leases are subject to change based on a valuation done by actuaries as of the Closing Date.

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As part of the transaction, BHHCG will retain all cash, cash equivalents, marketable securities and short term investments estimated at September 30, 2014 to be \$41.3 million. After adding the net proceeds of sale of \$15 million, there is a total of \$56.3 million of unrestricted cash plus transaction proceeds.

From this amount, BHHCG will: (i) retire its \$32.5 million CHEFA and other debt obligations; (ii) pay certain transaction costs including the investment banking fees and legal fees estimated as of September 30, 2014 to be \$3.5 million ; (iii) purchase indemnity tail insurance for physician malpractice and BHHCG self-insured medical estimated as of September 30, 2014 to be \$3 million; and (iv) purchase tail insurance for Hospital malpractice and workers compensation liabilities estimated as of September 30, 2014 to be \$13 million. In addition BHHCG will escrow an indemnity reserve in the amount of \$2.5 million for a period of three (3) years after the Closing (subject to certain extensions if an indemnification claim is filed). Any amounts in the indemnity reserve fund not required to pay indemnification claims will be released and become available as unrestricted cash after three (3) years (or such longer period as noted above). See *Exhibit 1*, Section 2.05)

After taking into account all the positive and negative adjustments to the purchase price, as well as assets and liabilities retained by BHHCG at the time of the Closing, the amounts available at the Closing that BHHCG is proposing will be transferred to the Main Street Foundation are \$1.85 million in unrestricted cash, plus \$9.43 million in restricted charitable funds totaling \$11.28 million. In addition, three (3) years following the Closing (or such longer period as noted above), any amounts remaining in the \$2.5 million indemnity reserve fund that were not required to pay indemnification claims will be paid over to the Main Street Foundation.

Please see Table 1 below for the projected sources and uses of proceeds and estimated net proceeds analysis.

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**Table 1**

<b>Bristol Hospital and Healthcare Group</b>	
<b>Net Proceeds Analysis</b>	
<i>Draft September 2014</i>	
<b>Enterprise Value</b>	<b>\$ 50,000,000</b>
<b>Less Assumed Liabilities and Adjustments</b>	
Pension Liability	21,209,202
Post Retirement Supp Medical	5,425,771
Asset Retirement (Asbestos Abatement)	604,800
Total Assumed Liabilities	27,239,773 (i)
Less Net Working capital Adjustment	7,673,692 (i)
<b>Cash Purchase Price to Seller</b>	<b>\$ 15,086,535</b>
<b>Plus BHHCG Existing Cash and Investments</b>	
Cash and Investments - Unrestricted	41,306,923
<b>Total Sellers Unrestricted Cash and Investments</b>	<b>\$ 56,393,458</b>
<b>Less Debt</b>	
Current Portion of Long Term Debt	3,589,317
Long Term Obligations	28,950,583
Total Debt	32,539,900
<b>Less Closing Costs</b>	
Workers Comp Loss Transfer	5,500,000 (ii)
Hospital Malpractice Loss Transfer	7,500,000 (ii)
BHHCG Self Insured Medical	1,000,000 (ii)
Physician Malpractice Tail Coverage	2,000,000 (ii)
Legal Filing and Banking Costs	3,000,000
FTC Review Expenses	500,000 (iii)
Total Closing Costs	19,500,000
<b>UnRestricted Cash Investments after Debt and Closing Costs</b>	<b>\$ 4,353,558</b>
<b>Remainder Entity Balance Sheet</b>	
<b>Assets Retained by Seller</b>	
UnRestricted Cash and Investments	\$ 4,353,558
Temp Restricted Cash Investments	2,606,148
Permanently Restricted Cash Investments	6,715,532
Temp Restricted Trans Escrow Cash	2,500,000
Total Cash and Investments Retained by Seller	\$ 16,175,238
<b>Liabilities Retained by Seller</b>	
Due from Third Parties	(103,004)
Transaction Escrow Funds Liability	2,500,000
Total Liabilities Retained by Seller	\$ 2,396,996
<b>Net Assets Retained by Seller</b>	<b>\$ 13,778,242</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 16,175,238</b>
<b>FootNotes</b>	
(i) To be updated based upon balance sheet at closing	
(ii) Estimated premiums subject to actual completion of RFP process.	
(iii) Amount dependent upon scope of FTC/AG review	

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In addition, VHS Bristol has agreed to spend not less than \$45 million in the next six years following the Closing for capital projects identified in the Strategic Business Plan. (See Exhibit 1, Section 5.20)

- 5. Describe the due diligence undertaken by BHHCG in deciding to enter into the Asset Purchase. This section should include, but is not limited to, considerations regarding the current financial condition of BHHCG and any projected financial condition of BHHCG, any professional assessments of or reports regarding BHHCG or the Joint Venture, any and all alternatives explored by BHHCG or other offers received by BHHCG, the reasons for rejecting such alternatives and offers, BHHCG's selection of the Joint Venture, and the specific terms of the Asset Purchase. In addition, the parties should discuss the due diligence in obtaining the fairness evaluation required by Conn. Gen. Stat. § 19a-486a(c)(5), including providing a copy of said independent expert's resume or other documentation of his or her qualifications and describing the process undertaken to identify and retain this person as an independent expert.**

BHHCG has engaged in a lengthy strategic planning process beginning in 2009 to evaluate the financial and competitive challenges facing Bristol Hospital and to develop a strategic plan for ensuring the long term viability of the Hospital that resulted in the decision to enter into an Asset Purchase Agreement with Tenet.

#### Financial Considerations

The financial history of BHHCG, over the last 10 years, has been one of troubled and difficult financial performances. For FY 2004 and 2005, BHHCG lost \$4 million from operations, each year. For FY 2006, BHHCG lost \$10 million, and in FY2007 lost another \$4 million. During FY2007, BHHCG defaulted on its CHEFA Series B Bonds, and entered into a forbearance agreement. Those 4 years severely impeded the future of the system. It stripped cash from savings, lenders would not offer financing, and investment in new capital or refreshing old capital was nearly impossible. During FY2008 – FY2012, BHHCG gradually improved financially. In FY2008, BHHCG had an operating loss of \$850,000, and in FY2012, BHHCG had an operating loss of \$100,000. While not as drastic as the losses in 2004-2007, these losses continue to degrade the network's financial position.

The adoption of the Patient Protection and Affordable Care Act ("PPACA") in 2010 drastically changed the landscape for health care providers. It started to shift the economic health care model. Historically hospitals worked in a "fee for service" environment, where hospitals were paid for each procedure or service performed. The model is transitioning towards "payment for outcomes" regardless of the number of services and resources used. This new model requires extensive resources and linked systems to exist in this new paradigm. Independent

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community hospitals with limited resources and constrained finances are unlikely to survive in this model.

The PPACA also initiated an unprecedented assault on provider payments from the government, including the budget sequester, cutting DSH payments, and reducing market basket updates / inflationary increase. The federal government instituted aggressive audits and retrospective interpretation of regulations through the Medicare Recovery Audit Program (“RAC”). RAC imposed a very heavy administrative and financial burden on hospitals. The Hospital has refunded more than \$1million to CMS as a result of the audits.

Looking forward; the Hospital is facing a deteriorating revenue base as a result of decreased inpatient volumes, increases in Medicaid payor mix, increases in uncompensated care, declining Medicare reimbursement, an expectation of declining rates for Medicaid and commercial payers, imposition of the state hospital tax and the elimination of the state indigent care pool monies. Continued diligence in expense management will not be sufficient to maintain a positive operating margin given the expected decline in revenue. Pressure will continue to increase in coming years as the Hospital has limited access to capital required to make improvements to an aging physical plant and infrastructure, and to recruit and retain needed physicians.

Professional Assessments/Due Diligence Process/Alternative Offers Explored/Selection

With the assistance of the third party consulting firm of Health Strategies and Solutions, Inc., during the period from 2009 to 2011 the BHHCG Board and Medical Staff held a number of retreats/forums to develop the strategic plan that would ensure the long term viability of the Hospital. BHHCG Board retreats and forums were held on April 29, 2009, February 12-13, 2010, June 2, 2011 and June 14, 2011.

Medical Staff forums were held on June 6, 2011 and June 21, 2011 and a joint Board and Medical Staff forum was held on June 27, 2011. At these retreats and forums, the Board and Medical Staff reaffirmed the BHHCG Strategic Plan, Visions, and Goals, and, utilizing the data and assessments presented by Health Strategies and Solutions, Inc., reviewed the Hospital’s historic and projected financial performance and efforts to grow clinical programs and respond to incentives under health care reform, reviewed the key forces driving provider consolidation and the competitive landscape in Connecticut and evaluated the historic and current BHHCG partnerships. The Board and Medical Staff reviewed Health Strategies and Solution’s profile of Bristol Hospital’s performance on ten factors that characterize successful stand-alone hospitals. The Board and Medical Staff concluded that the Hospital faces significant financial challenges in the near term including: (i) operating margins that do not meet the 2% threshold necessary to sustain operations or the 4-5% threshold necessary to provide funds for capital improvements or reinvestment in the Hospital’s physical plant; (ii)

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continued pressure on levels of reimbursement and reduction in inpatient volume; (iii) need for additional physician and capital resources to grow clinical programs and respond to incentives under health care reform; and (iv) increasing need to make capital improvements to an aging physical plant. The Board and Medical Staff concluded that the Hospital could not over the long term remain viable as a stand-alone independent community hospital and agreed that a partnership with another organization may offer the Hospital needed capital, opportunities for new and expanded service line development, clinical integration, a comprehensive continuum of care, improved physician recruitment and retention, the ability to respond to incentives under health care reform, improved quality of care and economies of scale to reduce costs and realize operating efficiencies. It was also acknowledged that the Hospital may benefit from evaluating partnership opportunities now given the potential for the Hospital's financial performance to decline and the potential for further consolidation in Connecticut that may reduce the Hospital's partnership choices - nearly half of Connecticut's hospitals are already part of larger networks or systems and the level of consolidation is increasing. Various partnership models were reviewed to identify models that would best position Bristol Hospital to achieve the benefits of partnership identified above. The Board and Medical Staff identified key "must haves" in any potential partnership.

In July of 2011 the BHHCG Board created the Partnership Committee of the Board to oversee the process of soliciting and evaluating strategic partnership options and making recommendations to the Board of Directors. The Partnership Committee includes the following members:

Marie O'Brien – Board Chair  
Thomas O. Barnes  
Kurt A. Barwis  
Kenneth Benoit, M.D.  
Glenn Heiser  
John J. Leone, Jr. - Board Vice Chair

Staff Members:  
George Eighmy  
Sheila Kempf, PhD  
Jeanine Reckdenwald  
Kenneth Rhee, M.D.

The Partnership Committee concluded that the assistance of an investment banking firm was necessary to guide it through the process of soliciting and evaluating partnership options. The Partnership Committee reviewed proposals from and interviewed four investment banking firms and selected Cain Brothers as the firm that was most knowledgeable of the health care

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environment in Connecticut and had significant experience in representing hospitals in partnership and affiliation transactions.

In January 2012, with the assistance of Cain Brothers, the Partnership Committee commenced an RFP process to solicit interest from other organizations in partnering with BHHCG. Four not-for-profit and six for-profit health systems were contacted to determine their preliminary interest in a potential strategic partnering opportunity with BHHCG. Seven of these parties executed Confidentiality Agreements to begin Phase I of evaluating a strategic partnering opportunity with BHHCG. A Confidential Information Summary (*Exhibit 2*) was prepared and shared with the seven parties that executed the Confidentiality Agreements.

In late January 2012, BHHCG received four initial indications of interest— two from not-for-profit health systems and two from for-profit health systems. Please refer to *Exhibit 3* for a high level summary of the four initial responses. The Partnership Committee determined to proceed to Phase II with all four parties. The remaining six organizations either did not respond or removed themselves from the RFP process due to lack of a strategic fit, focus on other business relationships or lack of time and/or resources to pursue a strategic partnership at that time. The four parties submitting the indications of interest were provided access to a detailed BHHCG data room and at the end of February 2012 submitted second round, definitive proposals including capital commitment and valuation. The range of Transaction Value in the two proposals that included this was from \$60 million to \$80 million (subject to closing adjustments). The capital expenditure commitment proposals ranged from \$0 to \$70 million over 5 years.

In early March 2012, after evaluating the terms of the four proposals, the Board determined to proceed to Phase III with three of the four parties. The proposal of the fourth party was rejected as it did not provide for any additional capital investment other than through Bristol Hospital's own operations and cash flow and there were medical staff and cultural compatibility concerns with this potential partner. On-site management presentations were made by the three potential partners to BHHCG. BHHCG board members and management staff also conducted site visits at six different hospitals owned and operated by the potential partners.

In April 2012, the Partnership Committee and BHHCG Board of Directors evaluated and compared the three proposals on the following key terms: form of the transaction proposed; post transaction structure; board membership of the Hospital post transaction; board rights; control over change in services; control over restricted charitable assets; the role of BHHCG subsidiaries/affiliates; the transaction value/purchase price; potential net cash proceeds; capital expenditure commitments and funding source; partner's commitment to specific capital projects; disposition of long-term liabilities; continuation of service commitment; plans to expand services; excluded activities and operations; no sale commitment; rights of first

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refusal/repurchase rights; employee commitments; charity care commitment; partner's financial capacity; partner's hospital management capability; regulatory review requirements/issues; partner's presence in Connecticut; length of operations; and partner's corporate culture. A copy of the high level comparison of the three proposals reviewed by the Partnership Committee is attached as *Exhibit 4*.

In April and May of 2012, BHHCG requested additional information and submitted follow-up questions to the potential partners. One of the potential partners noted that the consummation of a strategic partnering transaction with BHHCG was contingent on finding a mutually acceptable tertiary partner in Connecticut. The proposal of another of the potential partners was found to be not detailed enough with uncertainties as to some of the key requirements including capital commitment. This potential partner was granted additional time to develop a more detailed proposal. After unsuccessful efforts by BHHCG to get greater clarity and commitment in this proposal, this potential partner was advised in May that although they were not out of the running, BHHCG would be narrowing its efforts to negotiate a letter of intent with the other two potential partners.

In August of 2012, one of the potential partners terminated discussions with BHHCG as it had decided not to pursue strategic partnerships in the State of Connecticut.

In early November of 2012 the Partnership Committee met with a new potential partner, not involved in the RFP process to date, to discuss their interest in a strategic partnership. The new potential partner expressed interest in entering into discussions with BHHCG but noted that they were not prepared to submit a proposal at this time. The Partnership Committee had concerns about the financial capabilities of this potential partner and the effectiveness of the network structure described by this potential partner. BHHCG determined not to pursue discussions with this new potential partner which had no network or experience in Connecticut.

In November of 2012, after careful evaluation of the proposals and the benefits and risks of each, the issuance of follow up questions and review of responses; the negotiation of key terms of the proposals and negotiation of a Letter of Intent with two of the potential partners, the BHHCG Board of Directors selected the proposal from Vanguard Health System as best meeting the mission, vision and goals of BHHCG in the long term. The BHHCG Board of Directors authorized the execution of the Letter of Intent with Vanguard Health Systems (*Exhibit 5*).

Simultaneous with the RFP process and based on concerns expressed by a number of the potential partners of the need for a tertiary partner in Connecticut, the Partnership Committee determined in May of 2012 that BHHCG should also be pursuing a tertiary care provider affiliation with YNHHS. It was determined that a tertiary affiliation with YHHHS would: (i)

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provide to the Bristol community, on a collaborative basis, a full range of health care services of excellence; (ii) enhance the coordination of care; (iii) improve access to quality health care services; (iv) develop transfer protocols for the provision of tertiary and quaternary care to Bristol community patients; and (v) develop joint clinical programs to enhance and promote high quality patient care through documented improved outcomes and community health status. After negotiation of the terms of a Network Member Agreement, in November of 2012, the BHHCG Board of Directors concluded that it was in the best interest of Bristol Hospital and the Bristol community and consistent with the mission, vision and goals of BHHCG in the long term to establish a tertiary care provider affiliation with YNHHS and authorized the execution of the Network Member Agreement with YNHHS (Exhibit 6) in addition to the execution of the Letter of Intent with Vanguard Health Systems.

BHHCG and Vanguard Health Systems negotiated the terms of an Asset Purchase Agreement and performed extensive due diligence review of each other during the first six months of 2013.

In July of 2013, the Connecticut legislation that permitted the formation of a new medical foundation by a for-profit entity was vetoed by the Governor. The parties explored other models that would permit Vanguard to employ the BHHCG physicians without violating the corporate practice of medicine prohibition. Vanguard and YNHHS negotiated the terms of an agreement to form a new medical foundation to employ the BHHCG physicians under the existing Connecticut Statutes.

On October 1, 2013, Tenet Healthcare Corporation acquired Vanguard and became the party to the Asset Purchase Agreement and new medical foundation agreement. BHHCG conducted a reverse due diligence review of Tenet and Board members and management conducted site visits at four hospitals owned and operated by Tenet and met with Tenet leadership at these hospitals. In December 2013, a decision was made to wait until the conclusion of the Connecticut legislative session in June of 2014 to determine if the proposed Asset Purchase Agreement and new medical foundation would need to be modified.

Terms of the Asset Purchase

Please see response to Question 4 above for the terms of the proposed Asset Purchase Agreement.

Due Diligence in Obtaining Fairness Evaluation

Please see response to Question 7 for a description of the due diligence process followed by BHHCG in obtaining the fairness evaluation and in identifying and retaining Principle Valuation as the independent expert.

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6. Describe any and all potential conflicts of interest between, among, or pertaining to, at a minimum, any and all board members, officers, key employees, and experts of BHHCG, Tenet, YNHH, any other party to the transaction, and any person or entity that performed assessments requested in this application. In addition, describe the due diligence taken to determine the existence of any conflicts of interest, including how BHHCG, Tenet, and YNHH defined “conflict of interest” for purposes of the response to this question.

Conflict of Interest/Financial Disclosure forms (the “Disclosure Form”) were prepared and disseminated to: (i) members of the board of directors of BHHCG, the Hospital, and Bristol Hospital Multispecialty Group, Inc.; (ii) experts or consultants, and (iii) those senior executives of BHHCG, Bristol Hospital, Bristol Hospital Multispecialty Group, Inc., YNHH and Tenet, with managerial responsibilities who have direct involvement in the proposed transaction. The Disclosure Form posed a series of conflict of interest questions and required responses with respect to any financial interests, beneficial interests and/or employment interest in the proposed transaction and/or any entity associated with the principals involved in the transaction. The Disclosure Form also required responses regarding any conflicts involving Related Persons, defined as:

*“A person related to you by blood, law or marriage as a spouse, child, stepchild, parent, sibling, grandparent, grandchild or domestic partner (individual not related by blood or marriage, but currently in a committed relationship and residing in a common household sharing joint responsibility for the household), or an entity directly or indirectly controlled by you or any such person or in which you or any such person has a direct or indirect ownership interest of greater than thirty percent.”*

The completed Disclosure Forms for BHHCG, Bristol Hospital and Bristol Hospital Multispecialty Group, Inc., are attached as Exhibit 7. The completed Disclosure Forms for YNHH are attached as Exhibit 8. The completed Disclosure Forms for Tenet are attached as Exhibit 9. In addition, Tenet relied on the conflict of interest self-reporting requirements applicable to all members of its Board of Directors as set forth in Paragraph 11 of the *Tenet Healthcare Corporation Corporate Governance Principles*, a copy of which accompanies the Tenet Disclosure Forms.

Disclosures made on the Disclosure Forms include the following:

- Several of the BHHCG, Bristol Hospital and Bristol Hospital Multispecialty Group, Inc. Board members are physicians employed by the Hospital or an affiliate.

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- The Hospital's CEO is a voting member of the BHHCG, BHMSG and the Hospital Boards.
- The Hospital's CEO will, by virtue of his position, serve on the Local Hospital Board to be formed as part of the transaction.
- The son of one of the Hospital's senior executives is employed by a Tenet entity but has no involvement in this transaction.
- Several of the Hospital's experts or consultants have performed work for Tenet Healthcare Corporation, Vanguard hospitals, Tenet hospitals or Yale affiliated hospitals unrelated to this transaction.
- Those individuals completing the Disclosure Form who are employees of the Hospital or an affiliate, will, upon the Closing of the transaction, become employees of VHS Bristol, (a Tenet Affiliate) pursuant to the terms of the Asset Purchase Agreement.

There is one voting member of the Partnership Committee who voluntarily recuses himself from voting on the basis of conflicts due to employment with BHHCG and a family relationship with an individual working for Tenet. There are three voting members of BHHCG who voluntarily recuse themselves from voting on the basis of conflicts due to employment with BHHCG or BHMSG or a family relationship with an individual working for Tenet.

- 7. Provide an assessment of the fair market value of the transaction, including, but not limited to, a discussion regarding whether the fair market value of BHHCG's assets has been manipulated. Describe how the assessment was performed (including any method to verify results of the assessment), the persons that performed the assessment, and their qualifications to perform the assessment. Provide copies of all documents and statements, financial and otherwise, in support of this assessment.**

On December 12, 2012, BHHCG sent a Request for Proposal to two firms for the purpose of obtaining a Fairness Evaluation for the proposed asset purchase. The two proposals received are attached as *Exhibit 10*.

After careful consideration and interviews with each of the responders, the BHHCG Board selected Principle Valuation, LLC ("Principle") to perform the Fairness Evaluation for the proposed asset purchase. Principle's qualifications, conflict disclosures and scope of engagement are fully articulated in their RFP response located in *Exhibit 10*. Principle's

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compensation is a flat, non-contingent fee and its role in this transaction is limited to performing the Fairness Evaluation.

In conducting the Fairness Evaluation, Principle evaluated the proposed terms of the APA and the valuation of the assets contributed by BHHCG. In deriving the value of the assets that BHHCG will contribute, Principle utilized four different valuation approaches - the Cost Approach (also known as Adjusted Book Value Approach), the Income Approach and two Market Based Approaches. Please refer to *Exhibit 11* for Principle's Fairness Evaluation and presentation to the BHHCG Board. For the Cost Approach, Principle derived a depreciated replacement cost for the tangible assets in use. In the Income Approach, Principle utilized a Discounted Cash Flow methodology based upon market-based cost of capital considerations and the anticipated earning capacity of BHHCG in a "Stand-Still" strategic approach. Principle also utilized two market based approaches in estimating the value of the BHHCG's contributed assets: the Guideline Company Approach and the Guideline Transaction approach. The following Table 2 summarizes the value of BHHCG's contributed assets against the benefits that it can reasonably anticipate to receive as a result of the APA based on a comparison of the four different valuation approaches, weighted equally.

Table 2: Fairness Evaluation Summary

<b>Bristol Hospital and Health Care Group Summary and Conclusion</b>			
	Indicated Value	Weighting	Weighted Contribution
Adjusted Book Value Approach	\$48,510,000	25%	\$12,127,500
Discounted Cash Flow Approach	\$19,400,000	25%	\$4,850,000
Market Based Approaches			
Guideline Company Approach	\$48,400,000	25%	\$12,100,000
Guideline Transaction Approach	\$57,700,000	25%	\$14,425,000
<b>Total Weighted Value of Assets Sold</b>			<b>\$43,500,000</b>

From a financial point of view, the proposed transaction is fair as the value received is greater than the value of the assets contributed and purchased. Further, Principle found no indication

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that the fair market value of BHHCG's assets has been manipulated by any person in a manner that causes the value of the assets to decrease. Please refer to *Exhibit 11* for Principle's Fairness Evaluation and presentation to the BHHCG Board.

- 8. Provide an assessment of whether the transaction will place BHHCG's assets, including but not limited to Bristol Hospital, at unreasonable risk. Provide copies of all documents and statements, financial and otherwise, in support of this assessment. Describe how the assessment was performed (including any method to verify results of the assessment), the persons that performed the assessment, and their qualifications to perform the assessment.**

BHHCG's assets will not be placed at unreasonable risk. As noted by Principle in their Fairness Evaluation, the transaction does not encumber BHHCG with any financing for the completion of the transaction. Consequently, there is no financing of the proposed transaction that would place the Hospital's assets at an unreasonable risk. Rather, BHHCG's assets will be strengthened by Tenet's acquisition. Tenet is a \$17 billion revenue healthcare organization and has the financial capacity to provide the capital necessary for this transaction. Please see *Exhibit 12* for Tenet's 2013 10-K and *Exhibit 13* for Tenet's 2014 3<sup>rd</sup> quarter 10-Q, which demonstrate Tenet's strong financial position. Please refer to Applicant's response to Question 7 for a discussion of financial analysis. Principle's qualifications to perform the assessment are included in its RFP response included in *Exhibit 10* and its conclusions included in the Fairness Evaluation in *Exhibit 11*.

- 9. Provide an assessment of whether any managerial contracts to be entered into are for reasonable fair value. Provide copies of the managerial contracts and of all documents and statements, financial and otherwise, in support of the fair value assessment. Describe how the assessment was performed (including any method to verify results of the assessment), the persons that performed the assessment, and their qualifications to perform the assessment.**

A management contract between VHS Bristol and Tenet (or an affiliate) will be executed, but has not yet been drafted. The contract will address Tenet's (or its affiliate's) responsibilities to manage the day-to-day operations of VHS Bristol, including, but not limited to: executing contracts; hiring employees; and buying, selling or leasing real or personal property.

- 10. Describe the entity to which the fair market value of BHHCG's assets will be transferred including the funding of the entity, its corporate structure, governance and membership, and the charitable purpose of the entity. Provide copies of any documents related to the creation, structure, and purpose of the entity.**

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BHHCG proposes that the net fair market value of its assets, resulting from the sale to Tenet and YNHHS and such charitable assets of the Hospital and Bristol Hospital Development Foundation, Inc. (the “Foundation”) as approved by the Attorney General, be transferred to the Main Street Community Foundation, Inc. (“Main Street”), located in Bristol, Connecticut, to be held in one or more funds.

**Bristol Hospital Development Foundation, Inc.**

The Foundation is excluded from the sale of the assets of BHHCG to Tenet and YNHHS. The Hospital and the Foundation have considered all of the options available to the Foundation to determine whether the Foundation should continue its existence or cease operations.

The Foundation is a public charity under section 501(1)(c)(3) of the Internal Revenue Code (“IRC”), with one member, BHHCG, which has the right to elect the Board of Directors of the Foundation. The Foundation has been organized and operated to raise funds and support the Hospital, and all of the charitable funds it holds have been devoted to purposes related to the Hospital and the services it provides. In order to continue its existence following the sale, the Foundation would be required to reorganize its structure and exempt purposes as it can no longer be affiliated with or support the Hospital after the Hospital becomes a for profit entity. The Board of Directors of both BHHCG and the Foundation have determined that it would be economically impracticable for the Foundation to continue its operations, especially since it would not be able to retain any of the endowment or charitable funds previously raised or given to it for the benefit of the Hospital.

**Disposition Work Group**

After the decision was made to cease operations of the Foundation after the sale of the Hospital, the Foundation Board of Directors decided to appoint an ad hoc disposition work group (the “Work Group”), consisting of Board members who did not have conflicts of interest, to review potential entities to receive the Foundation’s charitable assets. The members of the Work Group were Kurt Barwis, Brian Dehm, George Eighmy, Marie O’Brien, James Pryor, Eva Wickwire, and Glenn Heiser.

The Work Group reviewed four foundations providing services in the Bristol community (“community foundations”), eliminating one because its geographic area did not include Bristol. The Work Group reviewed the historical background, a list of board members, a summary of cost analyses, financial audit statements, and mission/goals for each of the remaining three community foundations. The three community foundations under consideration were Connecticut Health Foundation, Inc., Main Street Community Foundation, Inc., and Universal Health Care Foundation of Connecticut. The organizations were examined in turn, and the Work Group participants scored each organization on

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attributes including community presence, spending policy, geographic scope, fee structure, sustainability and perpetuity, accountability, transparency, and focus on health care and public health. Main Street received the highest overall score from each of the Work Group participants.

All of the members of the Boards of the Foundation and Hospital were asked to complete a Conflict of Interest Disclosure Form to determine if there was any potential or actual conflict of interest between the Hospital and Foundation and any charitable community foundations in central Connecticut. Board members were asked if they or their family members served on the Board of, were employed by, had a financial or business relationship with, or transferred assets to any of the three community foundations being considered by the Work Group or any other community foundation in central Connecticut. If a Board member or family member had any relationship with any one or more of the three community foundations under consideration or if the Board member or family member had a donor-advised fund at any of the community foundations, that Board member was considered conflicted for the purposes of voting at the Board meetings. If a Board member did not return his or her form, the Board member was presumed to be conflicted. Of the twenty-three (23) Foundation Board members in office, ten (10) were determined to be non-conflicted. Of the thirteen (13) conflicted Board members, four (4) had family members who were employees or board members of one of the foundations, four (4) served as current or prior Board members, and in two cases were founders, of one of the foundations, two (2) were donors to one of the foundations, four (4) had donor-advised funds at one of the foundations, and four (4) board members did not return their forms. Several Board members had multiple conflicts of interest. Four (4) Foundation Board members who are also Bristol Hospital Board members and who had conflicts of interest were in attendance at the August 28, 2014 Foundation Board meeting.

The Work Group submitted its recommendation to the Foundation Board that Main Street be the entity to receive the Foundation's charitable assets. At the August 28, 2014 Foundation Board meeting, all Board members were able to take part in the discussion of the choice of the community foundation to receive the charitable funds; however, if a member had a conflict of interest, he or she had to identify himself or herself as conflicted. When the vote was taken to choose Main Street as the recipient community foundation, only the non-conflicted Board members present at the meeting were eligible to vote. Fifteen (15) Board members attended the meeting, of which seven (7) members were non-conflicted. At the meeting, there was a quorum present which was determined to be a majority of non-conflicted Board members or six (6) non-conflicted Board members. At the August 28, 2014 Foundation Board meeting, the non-conflicted Foundation Board members voted unanimously to accept the report of the Work Group and to prepare a

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written recommendation to BHHCG that Main Street receive the Foundation's charitable assets.

On September 3, 2014, the non-conflicted BHHCG Board members voted unanimously to approve the Foundation Board's recommendation that Main Street receive the Foundation's charitable assets, as well as the net proceeds of the sale of BHHCG and the Hospital's charitable assets. On November 6, 2014, the non-conflicted Hospital Board members voted unanimously to approve the Foundation Board's recommendation that Main Street receive the Foundation's charitable assets, as well as the net proceeds of the sale of BHHCG and the Hospital's charitable assets.

**MAIN STREET COMMUNITY FOUNDATION, INC.**

**Formation and Charitable Status**

Main Street was formed by Certificate of Incorporation as a nonstock corporation on March 17, 1995. (Please see Exhibit 14 for Certificate of Incorporation). Main Street is an IRC section 501(c)(3) public charity. (Please see Exhibit 15 for IRS Determination Letter).

**Governance**

The Amended and Restated By-Laws of Main Street (the "By-Laws"), dated June 8, 2012, are attached hereto as Exhibit 16.

Main Street is governed by a Board of Directors, which is self-perpetuating. (See list of Directors at Exhibit 17). There are no members. The Board is presently comprised of twenty-one (21) Directors. Susan D. Sadecki, of Harwinton, Connecticut, presently serves as President and Chief Executive Officer. Janis L. Neri, of Southington, Connecticut, presently serves as Chairman. John A. Letizia, of Bristol, Connecticut, presently serves as Vice Chairman. John D. Scarritt, of Farmington, Connecticut, presently serves as Treasurer.

In the By-Laws, several individuals who were instrumental in the formation of Main Street and who provided exemplary and extraordinary services to Main Street are designated as "Founders." The Founders include Sherwood Anderson, Carlyle Barnes, Thomas Barnes, Delores Capers, Ann Clark, Terry Fletcher, Edward Lorensen, Robert Merriman, David Preleski, Jeanne Radcliff, John Smith, Gary Weed, and Christopher Ziogas. The Founders are entitled to be present and participate in the meetings of the Board of Directors unless barred by Main Street's conflict of interest policies, but the Founders do not have voting privileges.

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Of the Founders, four individuals, Thomas Barnes, John Smith, Christopher Ziogas, and Terry Fletcher, presently serve on the Board of BHHCG or the Foundation. Mr. Barnes serves as a Director Emeritus of the BHHCG Board and a Director of the Foundation Board. Mr. Smith serves as the Chairman of the Foundation Board. Mr. Ziogas and Mr. Fletcher both serve as Directors of the Foundation Board.

Attached as ***Exhibit 18*** is the Statement of Ethical Principles and Practices of Main Street. The Statement of Ethical Principles and Practices applies to all the Directors, committee members, and staff of Main Street. The policy does not appear to apply to Founders. While the Founders can participate in Board meetings, they are not Board members nor are they part of the governance of Main Street because they have no voting rights. Therefore, the ability of the Founders who currently serve on either the BHHCG or Foundation Board to be present or participate in the Board meetings of Main Street does not affect the independence of Main Street. If any question of a conflict of interest ever arises, Mr. Smith, Mr. Barnes, Mr. Ziogas, and Mr. Fletcher could be asked or could voluntarily choose to recuse themselves from attending or participating in the portion of a Board meeting at which BHHCG or the Foundation fund or funds are discussed.

### **Charitable Purpose**

Main Street is committed to partnering with individuals, families, and businesses who wish to build permanent charitable connections, now and for generations to come, to support and better the communities of Bristol, Burlington, Plainville, Plymouth, Southington and Wolcott, Connecticut.

Its Mission, Vision and Core Values statement (***Exhibit 19***) states that Main Street's vision is "to be widely recognized as the comprehensive center for philanthropy in the communities of Bristol, Burlington, Plainville, Plymouth, Southington and Wolcott." Its mission is "to enhance the quality of life for both present and future generations in the communities [it serves]," by encouraging and promoting gift planning, prudent stewardship of assets, effective grant making, and community leadership.

### **PROPOSAL**

On August 28, 2014, The Foundation Board of Directors voted to establish a fund (the "Fund") at Main Street to be held, invested, and distributed according to the following guidelines:

1. The Fund shall be administered and held by The Main Street Community Foundation upon successful agreement to a binding governance model and fee structure in perpetuity and approval by the Attorney General.

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2. A community advisory group shall consist of independent individuals who shall establish a spending policy and provide recommendations to the Board of the Main Street Community Foundation for distributions from the Fund.
3. The Fund shall be utilized for programs targeted to achieve effective and measurable improvements in community health care deficiencies, which are identified and documented through community health care assessments conducted by an independent and expert health care group at least every three years.
4. The advisory group should seek emerging and innovative programmatic and non-programmatic funding opportunities to benefit individuals and to support a perpetual health care resource in the communities of Bristol, Burlington, Terryville, Plymouth, and Plainville.
5. Non-programmatic funding for capital, as determined by the advisory group to be necessary and appropriate, should be limited to rental payments and non-capital leases that match the term of the program, thereby maximizing the funding support for the program and most importantly addressing the targeted need.

The advisory group has not yet been chosen nor have guidelines been developed to determine the composition of the advisory group or how the members will be chosen, but the members must be independent and will have no current or prior connection to the Hospital or the Foundation.

BCHHG proposes that the proceeds from the sale (after payment of liabilities retained by BHHCG), the unrestricted Hospital charitable funds, and the unrestricted Foundation charitable funds be held in one fund subject to the above guidelines. In addition, there may be added to this fund any funds remaining in the indemnity reserve as of the third anniversary of the Closing if there are no claims pending against the reserve, or alternatively, after resolution of pending bona fide claims. At this time, the estimated value of the amount to be transferred into this fund is undetermined.

BHHCG proposes that endowment funds and special purpose funds be held in segregated funds in Main Street to be distributed in accordance with the donor restrictions or restrictions determined by *cy pres* proceedings for those funds having insufficient documentation to determine donor intent.

**11. Identify any and all assets of BHHCG that are subject to a charitable use restriction imposed by a donor and the intended handling of those assets as a result of the Joint**

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**Venture. Also, please identify all charitable trust assets held by third parties for which BHHCG, or one of its affiliated entities, is the beneficiary. Please provide a listing of these assets in Microsoft Excel format. Also, please provide copies of the original gift instruments for each gift identified.**

## BACKGROUND

### **General**

There are certain assets that are subject to charitable use restrictions held (1) by Bristol Hospital, Inc. (the “Hospital”), (2) by Bristol Hospital Development Foundation, Inc. (the “Foundation”), and (3) by third parties (collectively, the “Charitable Funds”).

### **The Foundation**

The Foundation was established on December 14, 1984 as the fund-raising organization for Greater Bristol Health Services Corporation (later renamed BHHCG), the Hospital, and their affiliates. In March of 1985 the IRS recognized the Foundation as an IRC section 501(c)(3) public charity.

The Foundation solicits, holds, invests, administers, and disperses Charitable Funds on behalf of the Hospital and its affiliates in accordance with charitable use restrictions imposed by the donors or in accordance with the specific charitable purpose or use for which the funds were raised.

Following the Closing, the Foundation will be dissolved, and BHHCG proposes that the Foundation assets be transferred in the same manner as the BHHCG assets, as described in Section III below.

### **Historical Treatment of Certain Endowment Funds**

In 2003, the Hospital requested approval by the Attorney General of a transaction under which a portion of the Hospital’s endowment funds were transferred to the Foundation. The assets to be transferred were comprised of the restricted portions of twenty-one (21) identified endowment funds. The unrestricted portions of the twenty-one (21) funds were retained by the Hospital.

The transfer of the funds was explicitly conditioned upon acknowledgement by the Foundation that it would continue to hold the subject funds for the purposes for which they were originally given.

The total amount of assets transferred to the Foundation was \$2,043,813, comprised of the following funds:

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Barnard, Arthur	\$172,751
Barnes, Fuller F.	\$100,000
Barnes, Lillian H.	\$11,113
Bates, Elvira, George H. and Nelson	\$1,000
Church, Laura M.	\$23,569
Cockings, George E.	\$8,044
Dailey, May W.	\$38,257
Gillette, George E. and Sarah J.	\$645
Ives, Alice H.	\$3,000
Kirkwood, Marion L.	\$1,563
Mills, Bertha D.	\$4,511
Montgomery, Mary E. and Silas K.	\$23,038
Page, May Rockwell	\$348,357
Rowe, Rolfe E.	\$5,000
Ryals, Harry N.	\$168,257
Shepard, Katherine	\$75,280
Shields, John L.	\$2,975
Treadway, Faith I.	\$5,803
Woodruff, Arvilla W.	\$25,491
Woodward, Harold B.	\$1,014,185
Wright, Henry C.	\$10,974
<b>TOTAL</b>	<b>\$2,043,813</b>

As noted above, the restricted portions of these funds were transferred to the Foundation and the unrestricted portions were retained at the Hospital. As a result, these funds are presently held in part at the Hospital and in part at the Foundation. Since the transfer, income earned on the restricted portions has remained in the Foundation account and income earned on the unrestricted portions has remained in the Hospital account. These funds are reported on *Exhibit 20*, Schedule A, Restricted Funds Held by Bristol Hospital, Inc., which shows a breakdown of how each fund is held.

Following the above-described transfer, the Hospital received additional restricted funds upon the termination of the Henry C. Wright Trust in 2007, and the restricted portion was transferred to the Foundation, while the unrestricted portion was retained by the Hospital. Following the transfer, the Wright fund has been administered in a similar manner to the funds transferred in 2003, as described above.

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As a result of this transaction, and as required by the Attorney General, the Foundation amended its Certificate of Incorporation to provide that in the event the Foundation is dissolved or terminated, it is required to return the transferred funds to the Hospital. Because the Foundation will be dissolved following the Closing, and at the same time the Hospital will become a for-profit entity, BHHCG proposes that these assets be transferred in the same manner as the BHHCG and Foundation assets, as described in Section III below.

**SUMMARY OF CHARITABLE FUNDS**

The Charitable Funds are described in the attached **Exhibit 20**, Schedules A-E.

**Schedule A – Restricted Funds Held By Bristol Hospital, Inc.**

The Hospital holds thirty-seven (37) funds (the “Restricted Funds”) which are analyzed on **Exhibit 20**, Schedule A as (i) Restricted Endowment (principal permanently restricted, income temporarily restricted as to purpose, including free bed funds), (ii) Unrestricted Endowment (principal permanently restricted, income unrestricted as to purpose), (iii) Restricted Non Endowment (principal and income temporarily restricted as to use) or (iv) Unknown.

There are five (5) funds established by individual donors about which the Hospital has been unable to obtain information or documentation, as follows: A. Barnard, C. Barnes, Bates, Meder, Pond. The Hospital has historically included these funds on its books. After an extensive search and investigation, no documentation has been located for these funds. As a result, the Hospital has treated these funds as Restricted Funds.

There are five (5) funds about which the Hospital has been unable to obtain information or documentation which do not appear to have been established by individual donors, as follows: Cardiology, Found, Life Insurance, Pathology, Plant. The Hospital has historically included these funds on its books. After an extensive search and investigation, no documentation has been located for these funds. As a result, the Hospital has treated these funds as Restricted Funds.

In order to obtain missing information on these funds, the Hospital undertook an extensive search and investigation of all potential leads over a period of nearly two years. The search included engaging experienced Trusts and Estates attorneys in Connecticut, who undertook the following actions: (1) reviewed all internal paper and electronic files available, including those held at the Foundation’s off-site third party storage facility, which amounted to approximately thirty-six (36) boxes of photocopied material; (2) reviewed all financial records available, including audited financial statements, and consulted with

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current and prior Hospital accountants; (3) conducted interviews of twelve internal personnel, three current Hospital or Foundation board members, two attorneys, and three trustees or custodians of funds; (4) searched the Connecticut Probate Court internet database; (5) conducted internet searches on google.com and ancestry.com; (6) conducted WestLaw database searches (including full public records searches, historical person searches, and Social Security death records searches); (7) contacted the Region #19 Probate Court; (8) contacted other Connecticut probate courts and courts in New Jersey and California, which had any identifiable potential connection to donors; and (9) contacted Bank of America, N.A. to ascertain whether they held any accounts or possessed any information connected to any of the unknown donors. Through the foregoing process, the Hospital's counsel were able to obtain complete or virtually complete information for twenty-three (23) of the Restricted Funds, some information on four (4) of the Restricted Funds, but were unable to obtain any information about the five (5) funds established by individual donors or the five (5) funds that do not appear to be established by individual donors listed above.

As described above, portions of certain Restricted Funds are actually held by the Foundation, pursuant to a transfer of assets approved by the Attorney General in 2004. Exhibit 20, Schedule A reflects the portion of such Restricted Funds which are held by the Foundation.

The total value of the Restricted Funds as of September 30, 2014 was \$9,047,633.

**Schedule B – Unrestricted Funds Received/Held by Bristol Hospital, Inc. and/or Bristol Hospital Development Foundation, Inc.**

The Hospital has received (or will receive, as the case may be) certain Charitable Funds for its unrestricted use (the "Unrestricted Non Endowment Funds"). Exhibit 20, Schedule B lists those testamentary unrestricted gifts for which the Hospital has supporting documentation, as well as the names of donors, amounts, and dates of gifts which have been deposited to the unrestricted accounts of the Hospital or Foundation.

Unrestricted Non Endowment Funds are expended in the discretion of the Hospital or the Foundation.

The total value of the Unrestricted Non Endowment Funds on hand as of September 30, 2014 was \$574,212.39.

**Schedule C – Funds Held By Bristol Hospital Development Foundation, Inc.**

The Foundation holds thirty-nine (39) funds (the "Foundation Funds") which are analyzed in Exhibit 20, Schedule C as either: (i) Restricted Non Endowment Funds (principal and

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income temporarily restricted as to use) or (ii) Unrestricted Non Endowment Funds (principal and income unrestricted), which are fully expendable for the general benefit of the Hospital. The Foundation Funds were given to the Foundation as a result of the fundraising activities of the Foundation and unsolicited donations from the public.

The total value of the Foundation Funds as of September 30, 2014 was \$2,403,876.25.

**Schedule D – Funds/Trusts Held by Third Parties**

The Hospital is presently the beneficiary or holds an interest in five (5) trusts held by third-party trustees and one (1) fund held by the Main Street Community Foundation, Inc. (“Main Street”). These funds are described below and in Exhibit 20, Schedule D and are collectively referred to as “Funds/Trust Held by Third Parties”.

Grace E. Atkins Trust

The Grace E. Atkins Trust was established under Article Eighteenth(b) of the Last Will and Testament of Grace E. Atkins dated September 27, 1961, and Codicil thereto dated October 28, 1965. The Hospital is entitled to receive one-third (1/3) of the annual net income of the Grace E. Atkins Trust, not less than semiannually, to be used “for its general purposes.” Therefore, distributions made to the Hospital from the Grace E. Atkins Trust are unrestricted.

Bank of America, N.A., the successor corporation to Bristol Bank and Trust Company, is currently serving as Trustee of the Grace E. Atkins Trust.

The fair market value of the Grace E. Atkins Trust principal as of September 30, 2014 was \$1,512,478.

The Last Will and Testament of Grace E. Atkins does not provide for the disposition of the net income which would otherwise be payable to the Hospital in the event that the Hospital no longer exists as a public charity.

John Barnes Trust

The John Barnes Trust was established under Article 4 of the Last Will and Testament of John Barnes dated February 15, 1942. The Hospital is entitled to receive one-half (1/2) of the annual net income of the John Barnes Trust. The Trust is silent with regard to any use or purpose restriction for the income. Therefore, distributions made to the Hospital from the John Barnes Trust are unrestricted.

Bank of America, N.A., the successor corporation to Bristol Bank and Trust Company, is currently serving as Trustee of the John Barnes Trust.

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The fair market value of the John Barnes Trust principal as of September 30, 2014 was \$3,554,603.43.

The Last Will and Testament of John Barnes provides that, in the event that the Hospital should “cease to exist,” the Newington Home for Crippled Children (now Connecticut Children’s Medical Center) shall receive the entire net income of the John Barnes Trust.

Bristol Hospital Development Foundation, Inc. Fund at Main Street Community Foundation, Inc.

The Bristol Hospital Development Foundation, Inc. Fund was established under Section 4 of a Designated Fund Agreement dated October 15, 1999 by and between the Foundation and Main Street. In addition, funds raised through the Bristol Brass Designated Fund Agreement dated October 15, 1999 were transferred to the Bristol Hospital Development Foundation, Inc. Fund upon the termination of the Bristol Brass Designated Fund Agreement.

The Foundation is entitled to receive a percentage of the fair market value of the assets of the Bristol Hospital Development Foundation, Inc. Fund in accordance with the Main Street Foundation’s spending policy, to be used solely for purposes allowed by IRC section 501(c)(3).

The Bristol Hospital Development Foundation, Inc. Fund is held and administered by Main Street. The fair market value of the Bristol Hospital Development Foundation, Inc. Fund principal as of September 30, 2014 was \$201,150.89.

Distributions received by the Foundation are unrestricted, provided that such purposes are permitted by IRC section 501(c)(3).

The Designated Fund Agreement does not provide for the disposition of the Bristol Hospital Development Foundation, Inc. Fund in the event that the Foundation no longer exists as a public charity.

Frederick Manross Trust

The Frederick Manross Trust was established under Article Third(a) of the Frederick Manross Trust under agreement dated August 5, 1975. The Hospital is entitled to receive one-half (1/2) of the annual net income of the Frederick Manross Trust.

Bank of America, N.A., the successor corporation to Bristol Bank and Trust Company, is currently serving as Trustee of the Frederick Manross Trust.

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The fair market value of the Frederick Manross Trust principal as of September 30, 2014 was \$2,051,999.59.

Distributions received by the Hospital from the Frederick Manross Trust are unrestricted.

The trust agreement does not provide for the disposition of the net income which would otherwise be payable to the Hospital in the event that the Hospital no longer exists as a public charity.

E. Leroy Pond Trust

The E. Leroy Pond Trust was established under Article Fourth of the Last Will and Testament of E. Leroy Pond dated February 16, 1955. The Hospital is one of three institutional beneficiaries permitted to receive income and principal payments, in the discretion of the Trustee.

Bank of America, N.A., the successor corporation to Bristol Bank and Trust Company, is currently serving as Trustee of the E. Leroy Pond Trust.

The fair market value of the E. Leroy Pond Trust principal as of September 30, 2014 was \$958,089.81.

Distributions received by the Hospital from the E. Leroy Pond Trust are unrestricted. Although Article Fourth of the Last Will and Testament of E. Leroy Pond expresses Mr. Pond's desire that the income be used to establish a free bed at the Hospital, the language is precatory and, therefore, not binding.

The Last Will and Testament of E. Leroy Pond does not provide for the disposition of the net income and principal which might otherwise be permitted to be paid to the Hospital in the event that the Hospital no longer exists; however, the Last Will and Testament of E. Leroy Pond does provide that the Trustee may make payments of income and principal to some similar institution if the trustee deems that the Hospital is unworthy of support.

Mary K. Pond Trust

The Mary K. Pond Trust was established under Article Third of the Last Will and Testament of Mary K. Pond dated February 16, 1955. The Hospital is one of three institutional beneficiaries permitted to receive income and principal payments, in the discretion of the Trustee.

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Bank of America, N.A., the successor corporation to Bristol Bank and Trust Company, is currently serving as Trustee of the Mary K. Pond Trust.

The fair market value of the Mary K. Pond Trust principal as of September 30, 2014 was \$241,029.64.

Distributions received by the Hospital from the Mary K. Pond Trust are unrestricted. Although Article Third of the Last Will and Testament of Mary K. Pond expresses Ms. Pond's desire that the income be used to establish a free bed at the Hospital, the language of this desire is precatory and, therefore, not binding.

The Last Will and Testament of Mary K. Pond does not provide for the disposition of the net income and principal which might otherwise be permitted to be paid to the Hospital in the event that the Hospital no longer exists; however, the Last Will and Testament of Mary K. Pond does provide that the trustee may make payments of income and principal to a similar institution if the trustee deems that the Hospital is unworthy of support.

**Schedule E – Future Interests**

There is one Charitable Fund in which the Hospital has a future interest as described below and in *Exhibit 20*, Schedule E.

G. Philip Pond Trust

The Hospital is a remainder beneficiary under Article 2.02(b) of the G. Philip Pond Trust under agreement dated February 11, 2000 (referred to therein as "Trust R"). G. Philip Pond died on February 27, 2004 and was survived by his former wife, Ruth Manross Pond, who is living as of the date hereof and has not remarried.

The trust agreement provides that, upon the death of Ruth Manross Pond, or upon her remarriage, whichever shall first occur, the Trustee is to distribute twenty-five percent (25%) of the then remaining principal, and undistributed income of Trust R, to Bristol Hospital "for its general uses and purposes." The trust agreement provides that "any portion not disposed of by the foregoing provisions of this Section shall be added proportionally to such portion or portions as shall be disposed of by such provisions and shall follow the disposition of the latter portion or portions in all respects."

Attorney Paul Orth is presently serving as sole Trustee of Trust R, and he has advised the Hospital that the current value of the assets held under Trust R is approximately \$400,000.

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Please refer to *Exhibit 21* for copies of Charitable Fund Instruments.

PROPOSAL FOR DISPOSITION OF CHARITABLE FUNDS

**General**

As described in Question 10, the Boards of BHHCG, the Hospital and the Foundation voted to recommend to the Attorney General the establishment of a fund (the “Fund”) at Main Street. Please see the response to Question 10 for a detailed description of the funding of Main Street, its corporate structure, governance and membership, and its charitable purpose. The Boards of BHHCG, the Hospital and the Foundation propose that the Fund would be held, invested, and distributed according to the following guidelines:

1. The Fund shall be administered and held by The Main Street Foundation upon successful agreement to a binding governance model and fee structure in perpetuity and approval by the Attorney General.
2. A community advisory group shall consist of independent individuals who shall establish a spending policy and provide recommendations to the Board of the Main Street Foundation for distributions from the Fund.
3. The Fund shall be utilized for programs targeted to achieve effective and measurable improvements in community health care deficiencies, which are identified and documented through community health care assessments conducted by an independent and expert health care group at least every three years.
4. The advisory group should seek emerging and innovative programmatic and non-programmatic funding opportunities to benefit individuals and to support a perpetual health care resource in the communities of Bristol, Burlington, Terryville, Plymouth, and Plainville.
5. Non-programmatic funding for capital, as determined by the advisory group to be necessary and appropriate, should be limited to rental payments and non-capital leases that match the term of the program, thereby maximizing the funding support for the program and most importantly addressing the targeted need.

The advisory group has not yet been chosen nor have guidelines been developed to determine the composition of the advisory group or how the members will be chosen, but the members must be independent and will have no current or prior connection to the Hospital or the Foundation.

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Except as provided below, BHHCG proposes that the following assets be held in one fund at Main Street subject to the above guidelines:

1. the proceeds from the sale (amount currently unknown),
2. the unrestricted portion of the Hospital's Restricted Endowment, Unrestricted Endowment, and Restricted Non Endowment funds shown in *Exhibit 20*, Schedule A with a September 30, 2014 value of \$3,883,291,
3. the unrestricted Hospital Non Endowment funds shown in *Exhibit 20*, Schedule B with a September 30, 2014 value of \$574,212.39, and
4. the Foundation's Unrestricted Non Endowment fund, (Ball, Golf Tournament, and Wine Tasting), shown in *Exhibit 20*, Schedule C with a September 30, 2014 value of \$291,602.

BHHCG further proposes that the following funds be held in segregated funds in Main Street to be distributed in accordance with the donor restrictions or restrictions determined by *cy pres* proceedings for those funds having insufficient documentation to determine donor intent:

1. the permanently restricted and temporarily restricted portions of the Hospital's Restricted Endowment, Unrestricted Endowment, and Restricted Non Endowment funds shown in *Exhibit 20*, Schedule A with a September 30, 2014 value of \$5,164,342, and
2. the Foundation's Restricted Non Endowment funds (except for the Parent and Child Center discussed below) shown in *Exhibit 20*, Schedule C with a September 30, 2014 value of \$1,741,998.39.

Finally, the funds or trusts held by third parties described in *Exhibit 20*, Schedule D with a September 30, 2014 value of \$8,519,351.36 should be administered and disposed of in accordance with the operative governing instruments of as the Attorney General may direct.

### **Specific Exceptions**

Parent and Child Center – The Foundation holds certain funds which are for the benefit of the Parent and Child Center (the “Center”) located at Bristol Hospital (See *Exhibit 20*, Schedule C, Tab 80). The Parent and Child Center was founded in 1996 by Bristol Hospital, the Farmington Exchange Club, and the Bristol Exchange Club. The focus of the

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Parent and Child Center is the prevention of child abuse, neglect, and family violence through the provision of support systems for families in such areas as anger management, family finances, child development, communication skills, effective discipline, and decision-making skills. In 2006, the Center received a \$200,000 gift from the Bristol Hospital Auxiliary that appears to have been established as an endowment and is held at the Foundation. Since that time, the Center has received most of its funding from state and federal grants, local charities, and private foundations. The Center is actively providing programs for families in the community, and it has demonstrated an ability to attract funding from outside sources. Unless the Center becomes an independent public charity, it will lose its state and federal funding as well as funding from private foundations if it remains a part of BHHCG as a for-profit entity.

On August 28, 2014, the non-conflicted Foundation Board members unanimously approved a resolution to recommend to BHHCG and the Hospital that the Parent and Child Center be established as an independent public charity. On September 3, 2014, the non-conflicted BHHCG Board members voted to approve the Foundation Board's recommendation that the Parent and Child Center be established as an independent public charity. On November 6, 2014, the non-conflicted Hospital Board members voted to approve the Foundation Board's recommendation that the Parent and Child Center be established as an independent public charity.

BHHCG and the Hospital propose that the Parent and Child Center be established as an independent public charity and that such funds be distributed to the newly formed entity. Tenet has agreed to exclude the Parent and Child Center as part of the sale of BHHCG assets to Tenet.

Bristol Hospital WIC Program – The Hospital WIC Program is a supplemental cost-effective nutrition intervention program available for eligible women, infants and children. WIC is designed to promote health and prevent nutrition-related health problems by providing nutrition education, breastfeeding information, and support. The WIC Program receives its funding from a grant from the USDA. WIC does not conduct any fundraising and does not receive any other funding. The WIC Program operates independently and holds its funds separately from the Hospital, though it is not established as a separate public charity. The WIC Program will continue to operate in the same manner following the Closing. According to the State of Connecticut WIC Director, it is not a requirement that the host agency be a non-profit organization to qualify to be a local agency contractor and receive funding from the USDA. These funds are not charitable funds and are not available to be spent by the Hospital or Foundation for any purpose except for the benefit of WIC. BHHCG is providing this information for the purpose of full disclosure only. These funds are not reported on the attached spreadsheets of Charitable Funds.

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Connecticut Clinical Research Foundation – The Foundation holds funds in the amount of \$442,921 for The Connecticut Clinical Research Foundation (“CCRF”) that solicits and administers grants and reimbursements from non-governmental sources for research conducted by the Hospital’s Connecticut Gastroenterology Institute. These grant funds are not charitable funds and are not available to be spent by the Hospital or Foundation for any purpose except for the costs of the research in accordance with the terms of the specific research grant. The Foundation will cease administering research grants and reimbursements on behalf of CCRF. BHHCG is providing this information for the purpose of full disclosure only. These funds are not reported on the attached spreadsheets of Charitable Funds.

- 12. Provide copies of all correspondence, memoranda, and any other documents that include the terms of any other offers to transfer assets or operations or change control of operations received by the Hospital.**

Please refer to *Exhibits 3 and 4*.

- 13. Provide a copy of a fairness evaluation by an independent person who is an expert in such Asset Purchases that includes the expert’s evaluation of each of the criteria set forth in Conn. Gen. Stat. § 19a-486c(a). Also provide copies of the information and documents relied upon by the expert in the preparation and issuance of the fairness evaluation.**

Please refer to *Exhibit 11* for a copy of the fairness evaluation performed by Principle.

- 14. Describe the proposed corporate relationship between the New BHHCG Hospital and the proposed VHS Waterbury Health System, LLC, including but not limited to any and all coordination of governance, control, and funding. Please disclose any related strategic, market, and/or financial analyses related to Tenet’s and YNHH’s contemplated ownership of VHS Waterbury Health System, LLC, and the New BHHCG Hospital.**

The New BHHCG Hospital will be a wholly owned subsidiary of VHS Bristol. VHS Bristol will be owned by Regional Provider, LLC, a joint venture entity to be owned 80% by Tenet Healthcare Corporation and 20% by Yale New Haven Health Services Corporation.

VHS Waterbury Health System, LLC is a joint venture entity to be owned 80% by VHS of Connecticut, LLC and 20% by Greater Waterbury Health Network. There is no other proposed formal corporate relationship between the New BHHCG Hospital and the proposed VHS Waterbury Health System, LLC.

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**15. Describe the proposed corporate relationship between the New BHHCG Hospital and the proposed VHS Saint Mary's Health System, LLC, including but not limited to any and all coordination of governance, control, and funding. Please disclose any related strategic, market, and/or financial analyses related to Tenet's contemplated ownership of VHS Saint Mary's Health System, LLC, and Tenet's and YNHH's contemplated ownership of the New BHHCG Hospital.**

The New BHHCG Hospital will be a wholly owned subsidiary of VHS Bristol. VHS Bristol will be owned by Regional Provider, LLC, a joint venture entity to be owned 80% by Tenet Healthcare Corporation and 20% by Yale New Haven Health Services Corporation.

VHS Saint Mary's Health System, LLC will be a wholly owned subsidiary of VHS of Connecticut, LLC. There is no other proposed formal corporate relationship between the new BHHCG Hospital and the proposed VHS Saint Mary's Health System, LLC.

**16. Describe the proposed corporate relationship between the New BHHCG Hospital and the proposed VHS Eastern Connecticut Health System, LLC, including but not limited to any and all coordination of governance, control, and funding. Please disclose any related strategic, market, and/or financial analyses related to Tenet's and YNHH's contemplated ownership of VHS Eastern Connecticut Health System, LLC, and the New BHHCG Hospital.**

The New BHHCG Hospital will be a wholly owned subsidiary of VHS Bristol. VHS Bristol will be owned by Regional Provider, LLC, a joint venture entity to be owned 80% by Tenet Healthcare Corporation and 20% by Yale New Haven Health Services Corporation.

VHS Eastern Connecticut Health System, LLC will be owned by Regional Provider, LLC, a joint venture entity to be owned 80% by Tenet Healthcare Corporation and 20% by Yale New Haven Health Services Corporation.

There is no other proposed formal corporate relationship between the New BHHCG Hospital and the proposed VHS Eastern Connecticut Health System, LLC.

**17. Please provide a copy of the transcript for the informal hearing required by Public Act 14-168, Section 9(c).**

Please refer to [Exhibit 22](#) for the transcript of the BHHCG informal hearing held on August 14, 2014.

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**18. Explain how BHHCG determined the need for the Asset Purchase and discuss the benefits of this Asset Purchase for the Hospital (provide discussion on history and timeline).**

BHHCG has engaged in a lengthy strategic planning process beginning in 2009 to evaluate the financial and competitive challenges facing Bristol Hospital and to develop a strategic plan for ensuring the long term viability of the Hospital. This strategic planning process resulted in a determination that over the long term the Hospital could not remain viable as a stand-alone independent community hospital and a partnership with another organization was needed to offer needed capital, opportunities for new and expanded service line development, improved physician recruitment and retention, the ability to respond to incentives under health care reform, improved quality of care and economies of scale to reduce costs and realize operating efficiencies. Please see the response to Question 5 for a detailed description of how BHHCG determined the need for the Asset Purchase Agreement with Tenet and the history and timeline for that process.

The benefits of this Asset Purchase Agreement for the Hospital and the Bristol community include the following:

- (1) A commitment by Tenet to preserve all essential Hospital services for at least 10 years.
- (2) Employment by Tenet of all active BHHCG employees at compensation no less than current levels and with benefits consistent with those offered to employees at other hospitals operated by Tenet. All collective bargaining agreements will be assumed and honored by Tenet.
- (3) Assumption by Tenet of the assets and liabilities of the BHHCG Retirement Plan, a frozen employee pension benefit plan.
- (4) A commitment by Tenet to maintain and adhere to the Hospital's current policies on charitable care, indigent care and community benefit or adopt policies at least as favorable as the Hospital's current policies.
- (5) A commitment by Tenet to provide care through community-based health programs, including cooperating with local organizations that sponsor health care initiatives to address community needs and improve the health status of the elderly, poor, and at-risk populations in the community.

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- (6) A commitment by Tenet to maintain the Hospital Medical Staff to ensure continuity of care in the community and to involve the Hospital physicians in the strategic and capital planning processes for the Hospital to meet the needs of the Medical Staff and their patients.
- (7) A commitment by Tenet to maintain and enhance the Hospital's historic commitment to quality, safety and patient satisfaction.
- (8) Establishment of a Local Board of Trustees for the Hospital consisting of four physician members of the Hospital Medical Staff, five community leaders from the current BHHCG Board of Directors and the Hospital CEO. The Local Hospital Board will be responsible for and make recommendations on the establishment of Hospital policies, maintenance of patient care quality, medical staff credentialing, and the provision of clinical service and community service planning in a manner responsive to the community needs.
- (9) A commitment by Tenet to spend in the next six years not less than \$45,000,000 on capital projects including routine and non-routine capital expenditures for facility upgrades and renovations, and the development and improvement of hospital, ambulatory or other health care services in the community.

In general terms, this Asset Purchase Agreement will allow the Hospital to: retire all of its existing debt; provide needed capital for improvements; provide greater opportunities for new and expanded service line development; improve physician recruitment and retention; improve the Hospital's ability to respond to incentives under healthcare reform; realize economies of scale to reduce costs; realize operating efficiencies; and improve the quality of care and services to patients in the Bristol community.

The benefits of this transaction will inure to the Bristol community, the Hospital and its affiliates. To effectively participate in the evolving risk-based payment environment, care must be managed across a complete continuum of care to deliver services in the right place at the right time. This transaction will allow the Hospital the ability to rebuild and retool itself for the new world of accountable health care delivery. The Hospital will be able to take advantage of Tenet's extensive resources and experience in markets across the nation where their health care systems have been successful with new risk-based payment systems and new care delivery models that reward value-based care, achieving the best outcomes for patients at lower costs. At the same time, the Hospital will benefit from the clinical expertise of YNHHS. With the resources of Tenet and the clinical strength of YNHHS, not only will the Hospital see reinvestments, but the Hospital will be positioned to continue developing alternative ambulatory sites of care. Development of ambulatory services, coupled with the Hospital's

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position and participation in a larger regional network, will bring the numbers of covered lives needed to be successful in developing and executing programs to manage population health.

As a publicly traded company, Tenet has access to the capital markets that will make capital available to BHHCG for: replacements and upgrades to systems and the infrastructures of the Hospital facilities; upgrades to the medical equipment and technology to provide our patients access to state-of-the-art technology for their diagnosis, care and treatment; and program development to attract and retain physicians to the communities served.

The transaction will bring the clinical strength and leadership of YNHHS to augment the clinical programs offered at the Hospital and make opportunities available to add programs to the Hospital's clinical offerings. The intent of this transaction is to develop local access to services where it is clinically appropriate. YNHHS would offer service line development and leadership and establish practice standards.

Being a member of the Tenet system will offer BHHCG economic scale and purchasing power to reduce the cost of operations which will improve finances and ensure the sustainability of BHHCG. This benefits the Bristol community as well. The financial health of BHHCG allows it to offer continued levels of employment that are critical to the health of our local economy. As important for our community, the asset purchase will mean that the Hospital will continue to offer the same levels of charity care.

With its national presence and 80 hospitals, Tenet can offer BHHCG "thought leadership" to develop better models of care. BHHCG staff will have access to providers across the country that have been successful at solving problems, developed best practices to overcome challenges and improved their organizations for the benefit of patients.

- 19. Provide a listing of the Hospital's current service lines and service locations and describe any planned changes to both the service lines and service locations as a result of the Asset Purchase. Please also provide: (i) an explanation for each change and detail how the Hospital's affiliation with the Yale New Haven Health Service Corporation ("YNHHS") will aid in service line development, and (ii) a description of the "essential Bristol Hospital services" that VHS Bristol Health System, LLC ("VHS") has committed to preserve for 10 years.**

Bristol Hospital Main Campus Services:

Addiction Medicine

Anesthesiology

Bariatric Surgery

Breast Surgery

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Cardiology  
Colorectal Surgery  
Critical Care  
Dermatology  
Emergency Medicine  
Endocrinology  
Family Medicine  
Gastroenterology  
General Surgery  
Geriatric Medicine  
Gynecologic Oncology  
Hand Surgery  
Hematology/Oncology  
Infectious Disease  
Inpatient Medicine Hospitalist  
Internal Medicine  
Nephrology  
Neurology  
Neurosurgery  
Obstetrics/Gynecology  
Occupational Medicine  
Ophthalmology  
Oral and Maxillofacial Surgery  
Orthopedic Surgery  
Otolaryngology  
Pain Management  
Pathology  
Pediatric Hospitalist  
Pediatrics  
Physical Medicine and Rehabilitation  
Podiatry  
Psychiatry  
Psychology  
Pulmonology  
Radiology (CT, MRI, PET/CT, Diagnostic Radiology)  
Rheumatology  
Sleep Medicine  
Spine Surgery  
Sports Medicine  
Travel Clinic

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Urgent Care  
 Urology  
 Vascular Surgery  
 Wound Care

Satellite Service Locations:

Bristol Radiology Center (25 Collins Road, Bristol) (CT, MRI, Diagnostic Radiology)  
 Center for Orthopedic and Spine Health (25 Newell Rd., Bristol)  
 Diabetes Care (102 North Street, Bristol)  
 Geriatric Medicine (85 Beleden Gardens Drive, Bristol)  
 Home Care & Hospice (222 Main Street, Bristol)  
 Med-Help Urgent Care (539 Farmington Avenue, Bristol)  
 Medworks Occupational Health (539 Farmington Avenue, Bristol)  
 Parent and Child Center (9 Prospect Street, Bristol)  
 Rehab Dynamics (975 Farmington Avenue, Bristol)  
 Social & Behavioral Services (10 North Main Street, Bristol)  
 Wellness Center (842 Clark Avenue, Bristol)  
 WIC Program (9 Prospect Street, Bristol)  
 Women's Health (25 Collins Road, Bristol)

There are no planned changes to the above listed services or locations as a result of the proposed Asset Purchase.

Applicants have agreed to provide the following list of Essential Services for the New BHHCG Hospital for at least ten (10) years after the Closing:

Emergency Department/Services (including Trauma)  
 General Medicine Services  
 Inpatient and Outpatient Surgery  
 Radiology, Clinic Laboratory and Diagnostic Services  
 Obstetrics  
 Comprehensive Cardiology Services  
 Intensive Care Services  
 Behavioral Health Services

BHHCG, Tenet and YNHHS are committed to ensuring the long-term future and viability of the New BHHCG Hospital. VHS Bristol will continue to provide care to the residents in the communities that have historically been served by BHHCG.

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The affiliation with YNHHS will bring the respected clinical expertise and best practices of YNHHS to BHHCG and the communities it serves. This will enable VHS Bristol to deliver existing services more effectively, enhance and expand service line offerings and potentially offer more advanced services not typically available in the community hospital setting. Using the Bristol Hospital Community Health Needs Assessment (“CHNA”) and other planning information available to BHHCG, Tenet and YNHHS will work with BHHCG management to identify programs and services that best augment those currently provided in the community. In addition, YNHHS is uniquely able to respond to the broadest needs of communities within Connecticut and adjacent geographies thereby enhancing access and reducing travel. Yale-New Haven Hospital, as part of YNHHS, has a vast array of advanced programming through, for example, the Smilow Cancer Hospital, Yale New Haven Children’s Hospital, Heart and Vascular Center, and its endocrinology and geriatrics services. Further, a health system which has an academic medical center as one of its members may have the ability to attract and retain certain types of specialty physicians to a community hospital setting that the Hospital may not be able to attract on its own.

Yale-New Haven Hospital will never have the cost structure or be as cost competitive as community hospitals. As the era of being paid on volume transitions over to being paid based on value delivered to the patient, YNHHS recognizes that community hospitals have the ability to deliver lower cost, lower acuity services more cost-effectively than a major medical center, such as Yale-New Haven Hospital.

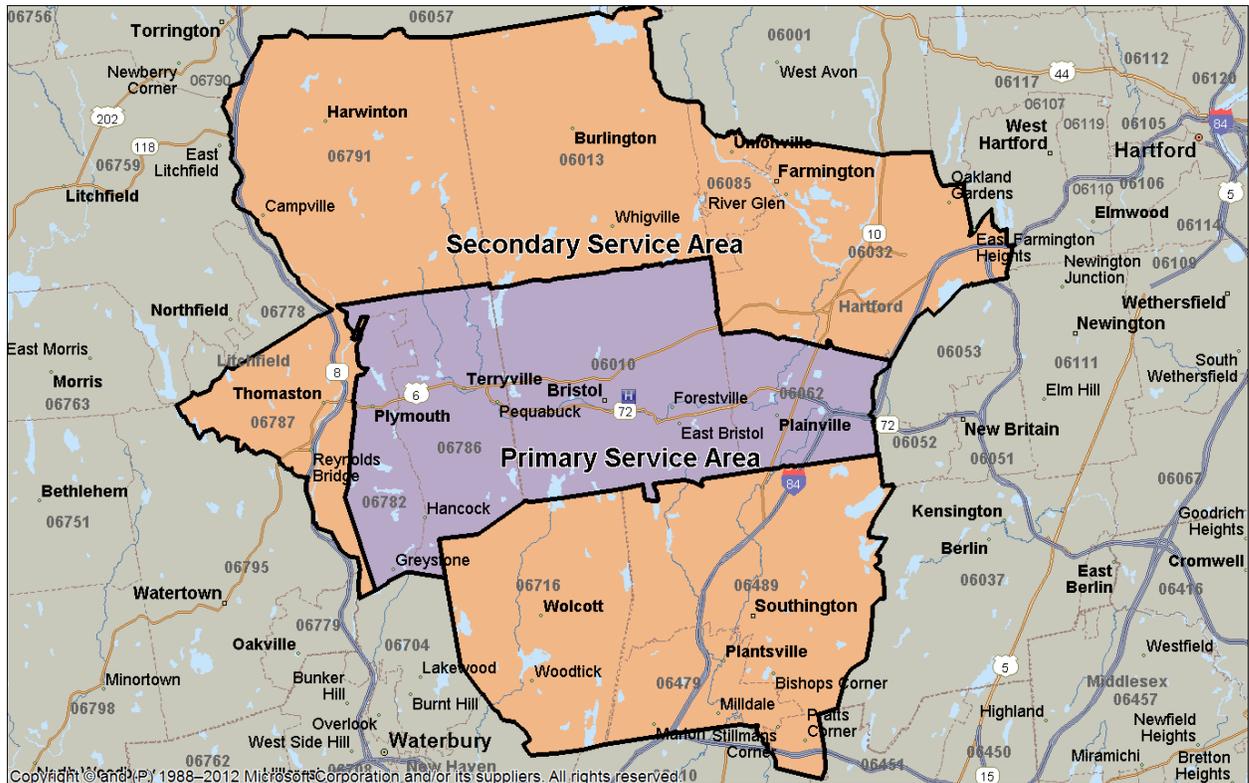
**20. Describe the existing populations served by the Hospital and how the Asset Purchase will affect these populations. Include demographic information.**

Bristol Hospital has a 10-town service area consisting of Bristol, Burlington, Farmington, Harwinton, Plymouth, Plainville, Southington, Wolcott, Terryville and Thomaston. The Primary Service Area is defined as Bristol, Plainville and Plymouth/Terryville while Burlington, Farmington (limited to 06032 and 06085), Harwinton, Southington (limited to 06479 and 06489), Thomaston and Wolcott make up the Hospital’s Secondary Service Area.

More than 66% of Bristol Hospital discharges originate from the City of Bristol while the Primary Service Area accounts for nearly 80% of the hospital’s discharges.

Please refer to the map of the Hospital Service Area below. The proposed Asset Purchase will not change the Hospital’s service area.

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### Service Area Demographic Data

The following Table 3 provides a summary of the Hospital's service area population including projections to 2020. Projections indicate that the Hospital's service area population is expected to grow 4.4% from 2010 to 2020.

The City of Bristol is the largest municipality in the Hospital's service area and is responsible for more than 66% of discharges from the Hospital.

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Table 3:  
**Total Population 2000 - 2020**

<b>Town</b>	<b>2000</b>	<b>2010</b>	<b>2020</b>
Bristol	60,062	60,466	60,958
Plainville	17,328	17,625	18,498
Plymouth/Terryville	11,634	12,213	12,789
<b>Primary Service Area</b>	<b>89,024</b>	<b>90,304</b>	<b>92,245</b>
Burlington	8,190	9,103	9,857
Farmington	23,641	25,067	26,684
Harwinton	5,283	5,618	5,779
Southington	39,728	42,491	45,136
Thomaston	7,503	7,837	8,112
Wolcott	15,215	16,446	17,821
<b>Secondary Service Area</b>	<b>99,560</b>	<b>106,562</b>	<b>113,389</b>
<b>Total Service Area</b>	<b>188,584</b>	<b>196,866</b>	<b>205,634</b>

Source: CERC 2013

The following Table 4 arrays Service Area Population distribution by age band and town. In comparison to the State as a whole, the Hospital Service area has a slightly larger proportion

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Table 4: 2011 Service Area Population  
 Service Area Age Distribution

<b>Town</b>	<b>0 - 4</b>	<b>5 - 17</b>	<b>18 - 24</b>	<b>25 - 49</b>	<b>50 - 64</b>	<b>65+</b>
Bristol	6%	16%	7%	36%	20%	15%
Plainville	5%	16%	7%	35%	20%	17%
Plymouth/Terryville	5%	18%	8%	34%	22%	12%
<b>PSA</b>	<b>5%</b>	<b>16%</b>	<b>7%</b>	<b>36%</b>	<b>20%</b>	<b>15%</b>
Burlington	6%	22%	5%	35%	22%	9%
Farmington	4%	22%	5%	36%	18%	14%
Harwington	3%	21%	5%	30%	26%	14%
Southington	5%	17%	7%	32%	22%	18%
Thomaston	3%	18%	7%	36%	22%	13%
Wolcott	4%	19%	9%	32%	21%	15%
<b>SSA</b>	<b>4%</b>	<b>19%</b>	<b>6%</b>	<b>33%</b>	<b>21%</b>	<b>15%</b>
<b>Total Service Area</b>	<b>5%</b>	<b>18%</b>	<b>7%</b>	<b>34%</b>	<b>21%</b>	<b>15%</b>
<b>Connecticut</b>	<b>6%</b>	<b>17%</b>	<b>9%</b>	<b>34%</b>	<b>20%</b>	<b>14%</b>

Source: CERC, 2013

As demonstrated in the following Table 5, the Hospital service area is socioeconomically diverse. Bristol is the tenth largest city in Connecticut with a relatively young workforce and a median income that is lower than the State median. More than 20% of Bristol residents have incomes less than 200% of Federal Poverty Level (See *Exhibit 23*, Connecticut Poverty Report). Four census tracts in Bristol are designated as Primary Care Health Professional Shortage areas by the Health Resources and Services Administration. Please refer to the map below for identification of these census tracts. Additionally, the Hospital service area contains several small, rural towns that are relatively affluent in comparison to Bristol.

The Hospital is a safety net hospital for the region as evidenced by the high volume of Medicare and Medicaid discharges. This proposal will ensure that health care services remain available to vulnerable populations in the Hospital's service area. Please refer to the payor mix table in Applicants' response to question 37.

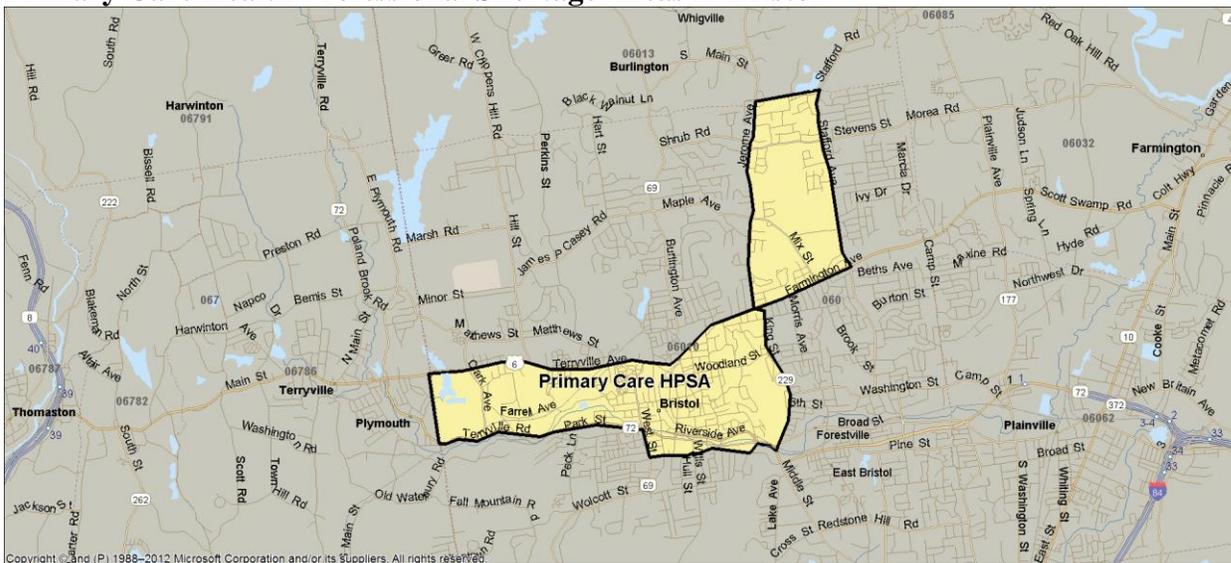
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Table 5  
**Socioeconomic Data**

Town	Poverty Rate*	Median HH Income*	Unemployment Rate**	Median Age*
<b>Primary Service Area</b>				
Bristol	8.2	\$60,032	8.6	40
Plainville	6.7	\$61,489	8.1	43
Plymouth/Terryville	5.7	\$74,317	9.5	40
<b>Secondary Service Area</b>				
Burlington	4.0	\$114,792	6.3	42
Farmington	4.5	\$86,675	6.5	44
Harwinton	4.6	\$85,920	7.1	44
Southington	3.5	\$77,112	7.1	44
Thomaston	2.8	\$64,982	8.5	43
Wolcott	3.3	\$80,529	8.7	43
<b>Connecticut</b>	<b>9.5</b>	<b>\$64,497</b>	<b>8.4</b>	<b>40</b>
*2011				
**2012				

Source: CERC 2013

**Primary Care Health Professional Shortage Areas in Bristol**



Source: [hpsafind.hrsa.gov](http://hpsafind.hrsa.gov)

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**21. How will the for-profit nature of Tenet affect the provision of health care in the community?**

The provision of health care will not be affected by the investor-owned nature of Tenet, as there is no correlation between tax status and the quality of care, charity care and other benefits provided to the community served. The opportunity represented by this application, however, affords the greatest opportunity for BHHCG to maintain financial stability, make needed capital investments and increase the quality and access to care for the entire community.

Tenet's financial resources, access to capital and expertise in operating 80 hospitals in 14 states will positively affect the provision of healthcare in the community. Tenet's capital and access to capital will mean that VHS Bristol will have the financial resources to purchase new technology, upgrade the physical plant, attract skilled physicians, and introduce electronic health records. In addition, as the operator of 80 hospitals, Tenet will introduce practices that will reduce costs and improve care by sharing its best practices.

Tenet offers not only financial strength, but also extensive experience and expertise in operating hospitals. In order to improve the already outstanding quality of care that BHHCG provides in its community, and also adapt to the new mandates of PPACA, BHHCG needs to move from being an independent provider, and become part of a larger health care system. The new model of health care that is evolving from federal mandates is one which is moving from volume to value, where providers will no longer be paid strictly on the volume of patients they treat, but on the value of the health care they provide. This requires that physicians and hospitals work together, and that all caregivers in a health care system align themselves on a continuum of care with the patients' wellbeing at the center of that care. For example, if care can be appropriately provided in a clinic rather than the emergency room, it is better for most patients in terms of time and access, and it will be better for the health care system because the cost of care provided at the clinic is far less than the cost of the same care provided in a hospital emergency room.

In addition to Tenet's access to capital and its expertise in operating hospitals across the country, VHS Bristol and its subsidiaries will be added to state and local tax rolls and will pay taxes. Consequently, the real estate and personal property that will be owned by VHS Bristol and its subsidiaries will be added to the tax rolls of the communities where the property is located.

In summary, Tenet's tax status will have no negative bearing on the provision of health care in the community. Tenet's financial resources and operational expertise will, however, have a positive impact. In fact, and as evidenced in other markets where Tenet has acquired hospitals

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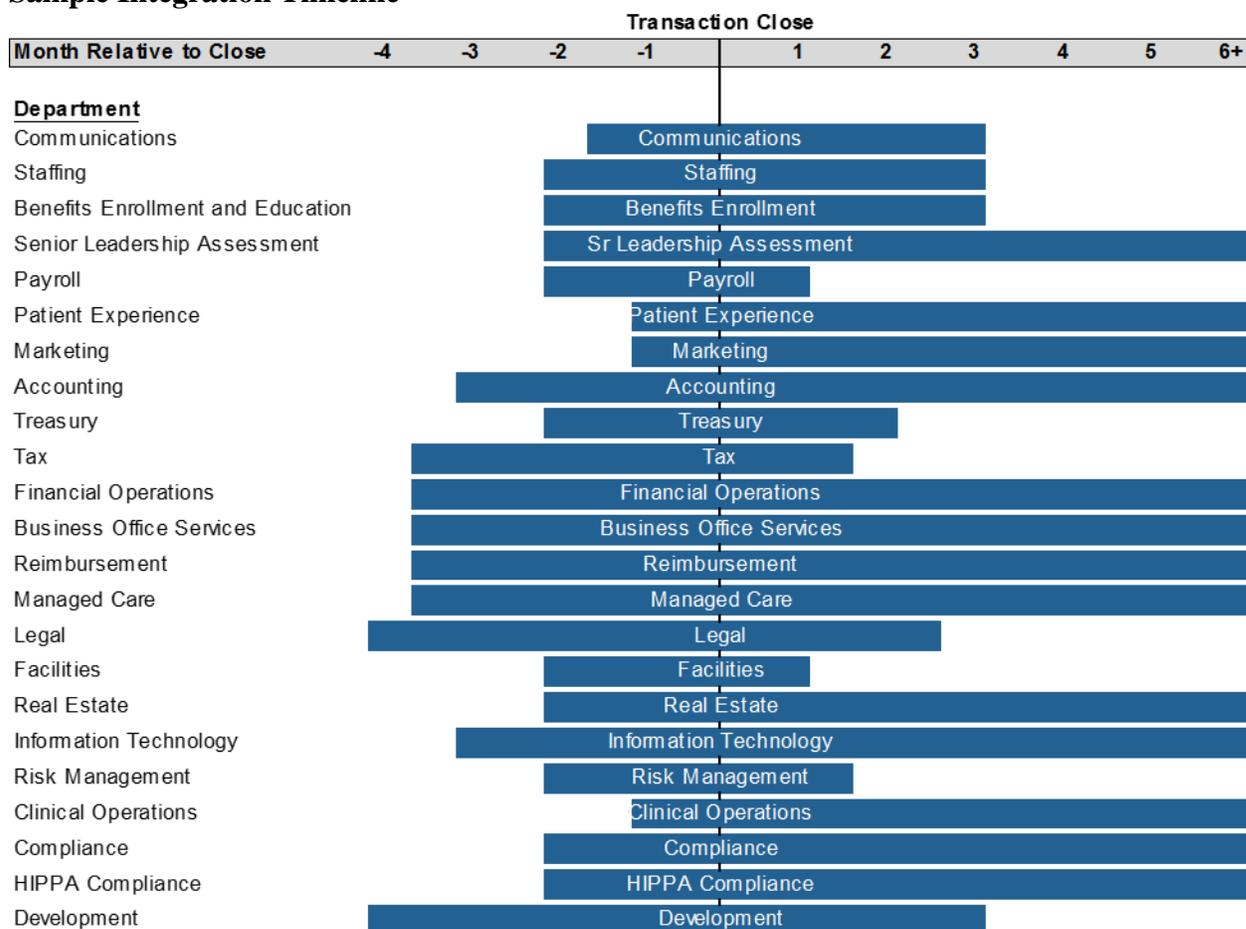
such as Detroit, MI and San Antonio, TX, the access and quality of care improved, significant capital investments were and are continuing to be made, and job growth has occurred.

**22. Provide a transition plan for the Asset Purchase and describe how BHHCG, YNHHS and Tenet (collectively, the “Applicants”) will ensure continuity of care and hospital services through this plan.**

The approach to the transition plan is best segregated into three phases of implementation: (1) execution of immediate cost efficiencies, (2) development of clinical efficiencies, and (3) deployment of a strategic capital plan. Immediate cost efficiencies represent benefits the New BHHCG Hospital will receive from joining a national organization. These cost efficiencies are presented in the financial projections included as *Exhibit 31* later in the Application. Clinical efficiencies are captured as Tenet has the opportunity to fully engage with the medical staff and the community to jointly develop a clinical strategy to best serve the populations described in Question 20. The strategic capital plan is formulated to complement the clinical strategy. Note that a meaningful long term integration plan requires the collaboration of the medical staff and the community. Once a needs analysis has been completed, YNHHS is committed to assist VHS Bristol with providing the needed clinical services.

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**Sample Integration Timeline**



Note: The table is generic in nature and will be customized to BHHCG's needs upon transaction approval.

- 23. Understanding that the proposal is for VHS to exercise ownership over the Hospital and that it is contemplated that Tenet and/or one or more joint venture entities created between Tenet and YNHHS will own and operate other hospitals in Connecticut, how will care be coordinated between these entities in the Bristol region? Please explain in detail how care coordination efforts will be aided by the proposed Asset Purchase (i.e., how they will be different from the Hospital's present efforts), the role YNHHS will play in these efforts and provide any written plans documenting this coordinated approach to care for the patient population served.**

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The proposed common ownership structure will provide BHHCG's access to capital and funding necessary to provide even greater access to high quality medical services for the Bristol region. It will provide BHHCG assurance in its ability to execute a long range strategic plan, addressing continued improvement in quality and safety, expansion of services, new services, physician and service integration, and improvements to access to services.

Post-closing, BHHCG will benefit from the alliance between Tenet and YNHHS. Through the alliance, YNHHS will provide, through service line agreements, access to its clinical protocols, evidenced-based practices, subspecialists and clinical intellectual property. YNHHS will not be involved in the day-to-day operations of the Hospital, nor will YNHHS have any involvement in the management of the Hospital.

**24. Provide a description of the relationship between the proposal and the Statewide Health Care Facilities and Services Plan.**

Applicants' proposal is consistent with the *Statewide Health Care Facilities and Services Plan* (the "Plan") published by the Connecticut Department of Public Health, Office of Health Care Access ("OHCA") in October 2012. The Plan is available on OHCA's website ([http://www.ct.gov/dph/lib/dph/ohca/publications/2012/ohcastatewide\\_facilities\\_and\\_service\\_s.pdf](http://www.ct.gov/dph/lib/dph/ohca/publications/2012/ohcastatewide_facilities_and_service_s.pdf)). Section 1.4 of the Plan states:

"The goal of OHCA's planning and regulation activities is to improve the health of Connecticut's residents; increase the accessibility, continuity and quality of health services; prevent unnecessary duplication of health resources; and, provide financial stability and cost containment of health care services.

The guiding principles of the Plan are intended to:

- Promote and support the long term viability of the state's health care delivery system;
- Ensure that any regulated service will maintain overall access to quality health care;
- Promote equitable access to health care services (e.g., reducing financial barriers, increasing availability of physicians) and facilitate access to preventive and medically necessary health care;
- Encourage and support health care education, promotion and prevention initiatives;
- Encourage collaboration among health care providers to develop health care delivery networks;
- Support the need for a sufficient health care workforce that facilitates access to the appropriate level of care in a timely manner (e.g., optimal number of primary and specialty care providers);

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- Maintain and improve the quality of health care services offered to the state’s residents;
- Promote planning that helps to contain the cost of delivering health care services to its residents;
- Encourage regional and local participation in discussions/collaboration on health care delivery, financing and provider supply;
- Promote public policy development through measuring and monitoring unmet need; and,
- Promote planning or other mechanisms that will achieve appropriate allocation of health care resources in the state.” (Plan at p2)

Further, the Plan recognizes that the state’s health care system is undergoing transformation as health care systems affiliate, merge and consolidate into larger health care systems in response to changes demanded under the 2010 Patient Protection and Affordable Care Act (“PPACA”). (Plan at pp. 7-8). The PPACA requires health care systems to improve the efficiency, cost-effectiveness, consistency and quality of health care.

As Applicants described in response to Question 5, BHHCG engaged in a lengthy assessment of its ability to succeed in the long-term as a stand-alone system versus as part of a larger health system. With the prospect of continued declines in inpatient volume, private reimbursement, government reimbursement, the imposition of the state hospital tax coupled with the limited ability to fund capital improvements and the system-wide changes needed to prepare BHHCG for future PPACA requirements, the Board chose to pursue partnership opportunities.

Applicants’ proposal is consistent with the Plan in a number of ways. First, the proposed transaction will allow BHHCG to retire its debt and pension liabilities which will significantly strengthen its future financial performance and contribute to the overall financial strength of the state’s health care delivery system.

Second, the APA requires that New BHHCG Hospital maintain essential services in the manner deemed necessary or appropriate at the discretion of the Local Board for at least ten years after Closing, thereby maintaining local access to quality health care services in the greater Bristol community.

Third, Applicants’ proposal will promote equitable access to health care services and facilitate access to preventive and necessary health care. VHS Bristol will adopt BHHCG’s charity care policies and fully comply with CMS rules regarding patient billing and debt collection. Further, VHS Bristol will assume BHHCG physician employment agreements so that there are

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no disruptions in care. The Applicants' focus on Ambulatory Care development will provide additional access points to care and improve physician recruitment.

Fourth, New BHHCG Hospital will continue to fund community benefit programs such as health education, health promotion and disease prevention initiatives currently provided by BHHCG as evidenced in Applicants' response to Question 54.

Fifth, Tenet has a significant history of sharing best of breed practices among its hospitals and New BHHCG Hospital will benefit from such shared practices as will the greater Bristol community.

Sixth, as demonstrated in Applicants' response to Questions 4, 44, 45, 46, 47 and 48, this proposal supports the need for a sufficient health care workforce that facilitates access to the appropriate levels of care in a timely manner.

Seventh, the proposed transaction will maintain and improve the quality of health care services in the greater Bristol community as evidenced by Applicants' response to Questions 4, 18, 23, 25, 26, 29 and 57.

Eighth, this proposal promotes planning activities that contain health care costs. Tenet has extensive experience in preparing hospitals for future capitation, global risk and accountable care organization structures which all have improved performance at a lower cost as the primary driver.

Ninth, the APA provides for a Local Board with significant duties, as articulated in Applicants' response to Question 4, which ensures local participation in health care delivery decisions. Further, New BHHCG Hospital will maintain BHHCG's relationship with local community provider organizations as described in Applicants' response to Question 27.

Lastly, after Closing, Applicants will engage in a detailed process of assessing health care delivery needs and establishing plans to meet those needs. It is Tenet's practice to continuously assess its hospitals' performance to ensure that the correct care is delivered in the right way and in the most appropriate, cost-efficient setting. Applicants further recognize that the long-term success of New BHHCG Hospital requires ongoing assessment and planning to foster optimum allocation of health care resources in the greater Bristol community.

**25. Reference is made to the Bristol Hospital Community Health Needs Assessment Final Report 2013 and the priority health needs of heart disease incidence, cancer incidence and diabetes incidence identified therein. Please explain how VHS will address the needs of service area residents with respect to prevention and treatment of these diseases.**

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The Hospital's Community Needs Assessment, attached as *Exhibit 24*, established the following priority health issues for the Bristol community: Mental Health and Substance/Alcohol Abuse; Access to Care; Senior Support; and, Overweight/Obesity. The Hospital Board approved the Community Needs Assessment Final Report and Implementation Strategies in September, 2013. Implementation strategies and action plans have been developed by the Hospital to address these community health needs. The Hospital has implemented the following strategies in support of these identified community needs objectives:

a. Mental Health and Substance/Alcohol Abuse  
Objectives:

- Increase the number of points of access for referral to services
- Increase the proportion of adults with mental health disorders and/or substances/alcohol abuse who receive treatment
- Increase the proportion of children with mental health disorders and/or substance/alcohol abuse who receive treatment
- Increase mental health and substance/alcohol abuse screenings by primary care providers

Strategies:

- Bristol Hospital, in collaboration with the Wheeler Clinic, provides a Youth Mental Health First Aid Instructor Certification training to provide practitioners, mental health First Aid Instructor Certification training to provide practitioners, mental health professionals, and educators an understanding of the risk factors and warnings signs of mental health problems in youth and how to help youth in crisis or experiencing mental health and/or substance abuse challenges.
- The Bristol Hospital Emergency Department is a point of access for patients requiring behavioral health services. Patients who are identified as requiring services are directly referred to the behavioral health unit within the Hospital.

(b) Access to Care  
Objectives:

- Increase the proportion of persons with a usual primary care provider
- Increase the proportion of persons who have a specific source of ongoing care

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- Increase the number of practicing primary care providers
- Increase the proportion of persons with health insurance

Strategies:

- Bristol Hospital provides a listing of available primary care and urgent care providers and their information to all patients entering the emergency department.
- Bristol Hospital promotes access to available physician groups in local communications (church bulletins, health fairs, community events, etc.).
- Bristol Hospital offers free classes entitled, “The Doctor Is In.” In these classes, Bristol Hospital physicians host discussions on the causes, prevention, diagnosis, and treatment of disorders like neck pain, lung disease, sleep apnea, cardiovascular disease, thyroid disease, etc.

b. Senior Support  
 Objectives:

- Increase the proportion of older adults with one or more chronic health conditions who report confidence in managing their conditions
- Reduce the proportion of older adults who have moderate to severe functional limitations
- Increase the number of practicing geriatric care providers
- Increase the proportion of older adults with reduced physical or cognitive function who engage in light, moderate, or vigorous leisure-time physical activities

Strategies:

- Bristol Hospital hired a new geriatric physician within the community who will coordinate care among primary care physicians and specialists for seniors and offer free speaking engagements on senior topics throughout the community.
- The Bristol Hospital Diabetes Center offers free educational presentations at senior centers regarding diabetes and nutrition.

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- Bristol Hospital offers free balance screenings to seniors to evaluate their risk(s) of falling.
- Bristol Hospital Home Care and Hospice offer free blood pressure screenings and bereavement counseling to seniors.
- Bristol Hospital offers a free Alzheimer’s support group.

c. **Overweight and Obesity**  
**Objectives:**

- Increase the proportion of primary care physicians who regularly measure the Body Mass Index (BMI) of their patients
- Increase the proportion of physician office visits that include counseling or education related to nutrition or weight
- Reduce the proportion of adults and children who are overweight or obese

**Strategies:**

- Through the Parent and Child Center, Bristol Hospital offers the following programs free of charge:
  - Growing Healthy Families: Worth the Weight
  - Cooking Matters in the Store
  - Gardening for Health
  - Preparing Healthy, Toddler Friendly Snacks and Meals
- Through the Parent and Child Center, Bristol Hospital also offers a program entitled, Nutrition and Young Children. This program is offered at a reduced rate due to grant funding from the Petit Family Foundation and the Fuller & Myrtle Barnes Fund for Education.
- Bristol Hospital offers a bariatric weight loss surgery program and support group. The support group offers free seminars on topics like “Portion control,” “Getting through the holidays,” and “Eating on the run: Good choices.”
- Registered Dieticians at Bristol Hospital offer the program, Nutrition and Cooking Fundamentals.

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- Bristol Hospital provides an Overeaters Anonymous Support Group for individuals recovering from compulsive overeating.

VHS Bristol will continue these initiatives and continually assess progress toward addressing the community's needs. Section 5.19(b) of the proposed Asset Purchase Agreement states that VHS Bristol "will strive to provide care through community-based health programs, including by cooperating with local organizations that sponsor health care initiatives to address community needs and improve the health status of the elderly, poor, and at-risk populations in the community."

Specific examples of Tenet initiatives that are complementary to the needs identified in the Hospital's CHNA include:

**Improving Access to Care**

In conjunction with the introduction of insurance exchanges and the expansion of Medicaid, Tenet launched an education and enrollment initiative called Path to Health to inform newly eligible individuals about their coverage options under the Affordable Care Act ("ACA"). This campaign is a joint effort among Tenet hospitals, Conifer Health Solutions and more than 350 community-based partner organizations. Since the start of the campaign, local hospitals and Tenet's partners have held more than 460 enrollment and educational events, produced more than 1 million pieces of educational material, sent direct mail pieces to nearly 250,000 households and provided enrollment assistance to nearly 13,000 consumers.

Tenet has been actively working to create an outpatient footprint that meets the needs of the growing communities in which we serve. Tenet's Outpatient Services Division currently operates 197 outpatient facilities that include 4 types of facilities: 1) Diagnostic Imaging Centers 2) Urgent Care Centers 3) Freestanding Emergency Departments and 4) Ambulatory Surgery Centers. Tenet's outpatient strategy focuses on the MedPost Urgent Care network launched in May 2014. Tenet's urgent care footprint consisted of 15 centers in 2013, but has plans to add an additional 40-45 center by year end 2015. These are designed to increase access for our patients at the appropriate level of care. In many cases, these centers provide a convenient, value-based alternative to the inpatient setting.

For example, in El Paso, Texas to serve the growing need for urgent pediatric care, MedPost Urgent Care for Kids was opened directly across from Sierra Providence East Medical Center. The outpatient linkage with Tenet's inpatient network provides access to enhanced quality and clinically integrated care, but in a lower cost setting. Additionally, in markets that serve large geographic areas, outpatient centers offer access to

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urgent/emergent care closer to home. In some markets this benefits EMS providers by allowing them to keep emergency response vehicles in service. Ultimately, our outpatient services strive to provide the right care in the appropriate setting by providing convenience, access, and value.

As an example of a way in which Tenet has worked with non-profit community partners to expand access is the development of the Faith Family Clinic in San Antonio, Texas. In 2008 a group of leaders from the Baptist Health System (BHS) investigated the possibilities of a non-profit charity clinic on the Westside. BHS leadership met with the CEO of Baptist Child and Family Services (BCFS) who was the Executive Program Director at that time, to develop a business plan.

Through the generosity of many organizations, hospitals, businesses and individuals Family Faith Clinic was able to open its doors with minimal expense. A second clinic was opened on the campus of Northeast Baptist Hospital in an effort to provide continuity of care to the patients coming out of the hospital as well as appropriate referrals from the emergency room. Over 394,000 people in Bexar County are currently without health insurance and lack access to preventive health care. Faith Family Clinic has become the medical home to over 9,000 members of the working community who do not have insurance to afford the high costs of medical care today. These services include primary care services, dental, vision, prescription assistance, mental health, and a variety of other screening and prevention programs.

### **Mental Health and Substance Abuse Services**

Currently Tenet operates 27 hospitals in 8 Regions that have Behavioral Health Programs: 17 hospitals with Inpatient Units, 13 hospitals with Geriatric Inpatient Units and 2 hospitals with Adolescent Inpatient Units. Other services include Biofeedback Therapy, Chemical Dependency, and eating disorders.

Additionally, Tenet has recognized the overall demand for Behavioral services and is proposing expansion of Behavioral services that include an adolescent/pediatric program and several Geriatric Behavioral Units.

One example of a mature mental health program is in the Birmingham market, where Brookwood Medical Center (“Brookwood”) is the largest mental health provider in the state of Alabama and is the primary referral center for mental health in the region. Brookwood has recently expanded its ability to provide mental health services by increasing the number of psychiatric beds from 93 to 138 and plans to add 12 additional psychiatric beds before the end of the year.

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From a clinical perspective, Brookwood has increased the number of physicians that serve this mental health population by aligning with three additional psychiatrists over this past year. The care continuum for Brookwood's mental health patients is strengthened by Brookwood's home health agency, which helps reduce readmissions thereby reducing the total cost of caring for Brookwood's mental health population. Brookwood has also partnered with the Jefferson-Blount-St. Clair District to provide capacity to mental health patients in the event there is limited capacity at state run facilities.

Lastly, Brookwood utilizes a Psychiatric Rapid Response Team that responds to patients receiving care at Brookwood outside the behavior health unit that demonstrate mental health symptoms. The Psychiatric Rapid Response Team has been so effective at Brookwood that this care delivery strategy has since been recognized as a best practice and deployed at other Tenet facilities.

As previously mentioned, Tenet has plans to make significant investments in behavioral health at other locations. This programmatic development is an example of service line development capabilities that leverage operational and clinical experience from multiple geographies to provide quality services to communities where an unmet need exists.

#### **Addressing Obesity and Chronic Diseases**

Tenet's commitment to addressing the health concerns of the communities in which we serve would not be complete without mention of efforts to reduce the incidence of obesity and chronic disease. As mentioned above, Baptist's Health System's Family Faith Clinic works with community partners to address chronic conditions affecting underserved populations. Additionally, our markets frequently offer seminars meant to help patients better understand and manage chronic disease. For example, the Sierra-Providence Health Network offered a dozen obesity and chronic disease management seminars in 2013.

One example of Tenet's commitment to managing chronic disease and obesity is the recent opening of St. Christopher's Hospital for the Urban Child, a 30,000-square-foot medical office building on the pediatric hospital's North Philadelphia campus designed to address the medical, social and legal issues that contribute to health disparities in children. The center will use a three-pronged approach to decrease health disparities by:

- Modifying factors that contribute to disparities by providing parenting education, screening for social concerns that affect child health, smoking cessation interventions for parents to reduce childhood asthma and providing legal and social services to address those concerns.

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- Improving diagnosis and care in disease states with disparities by providing rapid access to needed subspecialty services, and care coordination within a medical home model.
- Reducing barriers to health-care access by using community-based care navigators to improve health education and adherence to treatment plans.

### **Supporting Senior Care**

With a significant operational footprint in areas with aging demographics, Tenet has several programs and services that address the unique needs of the senior population. Tenet currently has 10 Acute Care for the Elderly Units (ACE), 14 geriatric clinic locations, 6 inpatient geriatric units, and 12 geriatric psych units. In addition to clinical operations, Tenet has nursing home liaisons in 20 locations, along with seminars and membership programs meant to educate seniors and target areas where their care may be better coordinated.

YNHHS will also support BHHCG in implementing strategies to address priority needs. YNHHS offers comprehensive services across the care continuum that address some of the same priority issues identified in the Bristol Hospital Community Health Needs Assessment. With guidance from experts at YNHHS, VHS Bristol may use the various YNHHS care delivery models to enhance or augment the strategies developed by BHHCG, where applicable, and better address the community needs identified in the BHHCG service area.

For example, YNHHS provides a number of mental health and substance abuse services through its Psychiatric Hospital. The Psychiatric Hospital provides adolescent and adult outpatient services and a dual diagnosis and detoxification inpatient program for those in need. It also provides a crisis intervention unit through its Emergency Services and Child and Adolescent Mobile Psychiatric Services.

YNHHS offers many community based clinics, programs and services to enhance the access to care among the communities it serves. Some examples include a variety of clinics addressing primary care for all age groups, specialty care, dental health, geriatric services, and wellness programs to name a few.

YNHHS offers a wide range of services geared to the senior population through the Dorothy Adler Geriatric Assessment Center. Staff members provide coordinated expertise in medicine, geropsychiatry and nursing to help families identify and treat geriatric and/or geropsychiatric conditions. Further, the Dorothy Adler Geriatric Assessment Center helps locate and connect

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patients with community resources that assist in optimizing the patient's living situation. Family meetings are held at each visit and include a multi-specialty team of caregivers.

Finally, YNHHS addresses obesity through nutrition services, chronic disease management for diabetes, asthma, heart, cholesterol and other chronic diseases, its weight and wellness center, prevention programs, community health services through WIC and school-based health centers. YNHHS also provides health disease management and coaching to its employees as part of an Accountable Care Organization pilot.

VHS Bristol will have the opportunity to connect with experts at YNHHS facilities for the development of similar community outreach efforts that support awareness and management of mental health and substance/alcohol abuse, access to care, senior support and overweight/obesity. More formal relationships with the YNHHS service lines will be explored and implemented as necessary to bring more comprehensive tertiary services and support to VHS Bristol's development of community-based programs that address these areas of concern.

**26. Provide a description of plans that VHS will implement to control cost, such as discharge care coordination, implementation of electronic medical records and emergency department triaging to the appropriate level of care. In responding to this question, report any anticipated savings from the following expense categories for the Hospital: salaries and wages, fringe benefits, contractual labor fees, medical supplies and pharmaceutical costs, depreciation and amortization, bad debts, interest expense, malpractice expense, utilities, business expense and other operating expenses.**

Although the Hospital is among the most cost-effective hospitals in Connecticut (See *Exhibit 25*), the New BHHCG Hospital will continuously seek opportunities to continue to reduce costs and improve efficiency. The specific anticipated savings are presented by expense category in response to Question 39 and described in response to Question 40.

Tenet is implementing cost control programs as it establishes the framework to accelerate the journey from fee-for-service to fee-for-value. Leading health systems are best positioned to transform the health care system in partnership with the communities they serve. Tenet is aggressively positioning its health systems to be high value, comprehensive health delivery systems that can provide care to the regional population. Tenet is positioning each of its health systems to offer alternatives for patients to receive care at the right time in the right setting. Tenet must establish these types of systems if it is to remain competitive in its markets. To this end, Tenet is engaging rapidly on the following initiatives:

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- **Enhanced Physician Alignment**

Tenet's overarching strategy is to achieve clinical integration with its physician partners. This can be achieved in a number of ways including employment and professional service agreements and integrated care models with independent practicing physicians. This approach also includes identifying and serving the clinical needs of the communities where Tenet is located. Tenet has nearly 36,000 affiliated physicians (2,000 of these physicians are employed by Tenet) in 14 states. Tenet's dedicated Physician Resources segment is described in more detail below.

- **Population Health Management Infrastructure and Capabilities**

Conifer Health Solutions, a Tenet subsidiary, offers a Population Health Management platform that offers care teams secure web-based access to the comprehensive clinical and financial information needed to manage a given population's health. This platform integrates disparate data and provides users easy access to disease registries, gaps-in-care, predictive analytics, population-risk stratification, hospital admission data, and referral data. Currently, Healthspan (an Ohio based provider), Quality Care Partners, and Unity Point (formerly Iowa Health System) are fully utilizing Conifer's Population Health Management platforms, as describe below:

- A Dashboard application that provides a quick overview of the managed population and links to all other applications
- A Risk-Stratification application that segments the population into five levels of risk and presents the underlying triggers associated with each risk level
- A Population's Conditions application that takes the guesswork out of identifying those patients who have gaps in compliance; thus, improving care and reducing costs by providing the care team with a list of patients needing care
- A Participant Portal application that provides 24/7 access to tools that help participants more effectively self-manage their health
- A Medical Management application that facilitates care coordination, communication, and connection with the at-risk population

- **Ambulatory Care Services Development**

Tenet's robust outpatient care strategy is designed to increase access points in a lower cost, convenient setting. Tenet's Outpatient Services Division currently operates

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approximately 200 outpatient centers that include, ambulatory surgery centers, diagnostic imaging centers, urgent care centers and free standing emergency departments. These outpatient centers provide options for patients to receive care in convenient and lower cost locations separate from the hospital campus. A new and key component of Tenet's outpatient strategy is the MedPost Urgent Care network launched in May 2014. Tenet's urgent care footprint has grown from 15 centers in 2013, with plans to add 40-45 additional centers by year-end 2015.

- **Post-acute Care Development**

Tenet Home Health & Post-Acute Services expands the Outpatient Services Division and rounds out Tenet's integrated care delivery network by collaborating with Tenet's acute care hospitals and the Tenet Physician Resources (TPR) segment (described below).

Each day Tenet cares for 2,000 patients in their homes through a variety of programs including home care, hospice and private care. In addition, Tenet provides care to thousands of patients each year through Tenet's Transitions in Care Programs, which encompass Transition Care Coaches, Coleman Coaches and post discharge telephonic care. These programs assist Tenet hospitals, ACOs and Bundled Payment Care Initiatives (BPCI) in population health management and reducing readmissions. Tenet's vision includes embracing innovative approaches to care delivery to assist patients to better self-manage their health and to remain in their homes.

Tenet also operates 17 inpatient rehabilitation units. Most of these units are part of a larger, acute care hospital. The exception is the Rehabilitation Institute of Michigan (RIM), a 94-bed freestanding rehabilitation hospital in Detroit. RIM is one of only three freestanding rehabilitation hospitals in the country, recognized with Magnet status by the American Nurses Credentialing Center. Magnet recognition is awarded only to hospitals that exceed professional standards in nursing practice, leadership, education and research. Four of Tenet's units, including RIM, are accredited by the Council on Accreditation of Rehabilitation Facilities (CARF).

Additionally, several Tenet regions have begun quality initiatives that involve collaborating with post-acute care providers to improve care transitions and communicate more effectively, in an effort to reduce readmissions.

- **Primary Care Development**

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Tenet understands the need for comprehensive population health. To meet this demand, Tenet has been redesigning its care delivery (in particular, primary care) to align with the Institute of Medicine's ("IOM") six dimensions of quality care: safe, effective, patient-centered, timely, efficient and equitable, through building a highly reliable organization.

Tenet's inaugural national primary care advisory commences in November 2014. The primary care advisory is comprised of active physicians currently engaged in patient care in Tenet's markets across the nation. The primary care advisory's focus is to ensure the Tenet Physician Resources segment follows the six IOM pillars for success with patient and employee safety as the cornerstone of care.

Tenet Physician Resources (TPR) is responsible for physician alignment, management of physician practices and physician recruitment. TPR's alignment strategies include, but are not limited to, acquiring physician practices, contracting with physicians through employment contracts and professional services agreements and recruiting needed physicians to the communities that Tenet serves.

In addition to Tenet's Physician Resources Department's responsibilities described above, it is increasing access and availability for patients through expanded clinical hours, urgent care partnerships and alternative methods of patient encounters utilizing the latest in smart phone technology.

Tenet's Physician Resources Department also has the experience and skillset to achieve the Triple Aim of population care and is moving past descriptive analytics to predictive analytics to prevent unnecessary morbidity and mortality.

Each of the aforementioned efforts is geared towards providing the right care at the right time, in the most appropriate setting, with the ultimate goal of providing the highest quality of care at the most economical cost.

- 27. Provide a description of VHS' plans to continue to provide services to the uninsured and underinsured. In responding to this question, please describe any changes to the Hospital's current charity care, uncompensated care and financial assistance policies and procedures, and hospital bed funds that will result from the Asset Purchase. Describe any plans VHS has to work with other providers in the community, such as federally qualified health centers or community health centers, to provide specialty care to patients, or low cost programs that VHS will provide in the area that are tailored towards the uninsured or underinsured.**

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VHS Bristol will continue to provide exceptional care and the same, if not better, level of services currently provided by BHHCG to the uninsured and underinsured. VHS Bristol will adopt BHHCG's existing charity care policies.

With regard to federally qualified health centers, the Hospital has Memoranda of Understanding with Wheeler Clinic, Inc., a federally qualified health center look alike, to provide inpatient services, emergency care services, diagnostic laboratory testing and diagnostic radiology for the Wheeler Clinic's patients. VHS Bristol will assume these agreements.

**28. Submit a list of all key professional, administrative and clinical department heads related to this proposal. Additionally, provide a copy of the Curriculum Vitae of each individual listed.**

BHHCG

Kurt A. Barwis, FACHE, President & CEO  
 Kenneth Rhee, M.D., Chief Medical Officer  
 George Eighmy, Chief Financial Officer  
 Sheila Kempf, Chief Nursing Officer  
 Jeanine Reckdenwald, Vice President, Human Resources  
 Bala Shanmugam, M.D., President, Medical Staff  
 (See Exhibit 26).

TENET

Harold "Trip" Pilgrim, Senior Vice President, Development  
 Erik Wexler, Chief Executive Officer, Northeast Market  
 Kelvin Baggett, M.D., SVP Clinical Operations and Chief Clinical Officer  
 Mark Montoney, M.D., Chief Medical Officer  
 (See Exhibit 27).

YNHHS

Please note that YNHHS will not be in a managerial or operational position. YNHHS Administrative and Clinical Department Heads include the following.

Gayle L. Capozzalo, Executive VP and Chief Strategy Officer, YNHHS  
 Richard D'Aquila, Executive VP, YNHHS and President, Yale-New Haven Hospital  
 Christopher O'Connor, Executive VP and Chief Operating Officer, YNHHS

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Please refer to *Exhibit 28*.

**29. Provide evidence as to how the Asset Purchase will improve the quality, accessibility and cost effectiveness of health care delivery in the region, including but not limited to:**

**a. provision of or any change in the access to services for Medicaid recipients and indigent persons; and**

Medicaid recipients and indigent persons will have the same, if not better, access to high quality services than that to which they currently have access. One expected component of the capital expenditures that Tenet will make is to add ambulatory access points in the region, thus providing increased access for the broader community, including Medicaid recipients.

The proposed transaction also will improve the quality of health care delivery in the region because the Hospital will have access to Tenet's quality and patient safety programs. The 80 hospitals owned by Tenet, through a structure comprised of 'Clinical Care Councils' (see below), regularly share best practices, focusing on clinical areas that include perioperative, obstetrics, critical care, emergency departments, etc. Additionally, coordinated initiatives targeting discharge planning, care management, service line planning and emergency preparedness also will benefit the Hospital. VHS Bristol will learn from peer hospitals and improve the quality of care in the region by implementing proven best practices driven by the experience of 80 hospitals.

As stated above, VHS Bristol will benefit from best practices and Tenet's evidence-based approach to clinical quality through participation in Tenet's Clinical Councils, which are representative groups of physicians, nurses and other clinical staff in specific disciplines. The Clinical Care Councils are designed to provide insight, perspectives and expertise that shape practice to drive clinical variability out of the system and make care more consistent with the best available evidence and clinical standards. The Clinical Care Councils also serve as a consistent and readily available avenue for Tenet leaders to access clinical insights.

In addition to the continued access to quality care, residents of the region will have access to education on coverage options and assistance in enrolling in coverage. In conjunction with the introduction of insurance exchanges and the expansion of Medicaid, Tenet launched an education and enrollment initiative called Path to Health to inform newly eligible individuals about their coverage options under the PPACA. This campaign is a joint effort among Tenet hospitals, Conifer Health Solutions and more than 350 community-based partner organizations. Since the start of the campaign, local hospitals

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and Tenet's partners have held more than 460 enrollment and educational events, produced more than 1 million pieces of educational material, sent direct mail pieces to nearly 250,000 households and provided enrollment assistance to nearly 13,000 consumers.

**b. the impact upon the cost effectiveness of providing access to services provided under the Medicaid program.**

The proposed transaction will improve cost effectiveness of health care delivery in the region. Tenet implements various operational strategies that improve efficiency and reduce costs of care. Tenet's Home Office Performance Management and Innovation (PMI) department provides the following functions designed to maximize efficiency:

**Throughput**

- Excess Day reviews and implementation of "TEMPO": Team Engagement To Manage Patient Outcomes
- Discharge by 12:00 noon reviews and analysis of areas for improvement
- Appropriate utilization of ICU versus Medical/Surgical beds
- ER length of stay improvement
- ER left without being seen reduction
- Surgery Case on time starts
- Surgery Start average delay reduction
- Surgery case turnaround time improvement
- Reduction of OR Cancellations
- Right product/right time reviews for OR supplies, reducing or eliminating product waste
- LEAN Daily Management implemented in other Tenet hospitals has resulted in an average of \$431,000 of savings within the first year of utilization, through employee engagement and identification of areas that require operational improvement
- Full LEAN engagement (ER/Inpatient/OR) implemented in other Tenet hospitals has generated savings opportunities that range between \$2.1M and \$4.6M per year in process driven efficiency

**Labor**

- Education of leaders in how to complete and implement staffing grids to drive efficiency and reduce overtime and utilization of costly contract labor while maintaining quality metrics
- Guidance on implementation of "Top of License" to ensure that nurses are performing tasks that fully utilize their licensed capabilities (i.e., working at the

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“top of their license”) and not spending valuable nursing time on tasks that can and should be performed by others who are less skilled

- Labor/productivity targets by department based upon individual unit and volume to ensure efficient staffing while achieving quality goals
- Guidance on proper utilization of full time to part time in order to pool employees to eliminate unnecessary over time and “call offs” (a secondary benefit of this is a reduction in turn-over, which is very costly)

**Supply and Sourcing Costs**

- Medication Utilization Management programs for both conversions to generic, conversions from IV to PO and product conversions
- Physician Preference Item scaling based upon tiers of volume from larger system perspective (leverage)
- Food and Nutrition Services Review: external contracting with leveraging of value, standardized regional menus, staffing appropriateness, reduction in waste meals
- Clinical Contracting: leveraging of scale and removal of fee for service contracting to align with facility payments (DRG/CASE, etc.)
- Document Management programs to assess utilization of printers and copiers by type, load, and utilization of color printing
- Security Contracting: national service level agreements, reviews of technology versus manpower
- Reprocessing programs

**30. Provide the corporate organizational chart prior to and after the proposed Asset Purchase, including all affiliates. For the organizational chart that depicts the post-Asset Purchase structure, working upward on the chain of ownership from VHS, please: (i) describe the nature of the ownership and control that each entity has in the entity directly below it; (ii) describe the major business activities/functions of each entity; (iii) provide the principal place of business address for each entity; and (iv) provide the name and business address of each individual currently serving as a member of the governing body of each entity.**

The following is a description of the post-Asset Purchase entities that will own and operate VHS Bristol and its affiliates:

As referenced above, Tenet is an investor-owned company whose subsidiaries and affiliates operate regionally focused, integrated health care delivery networks with a significant presence in several large urban and suburban markets. As of June 26, 2014, Tenet, through its various subsidiaries, operated 80 hospitals and approximately 200 outpatient centers. Tenet’s principal

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place of business is 1445 Ross Avenue, Suite 1400, Dallas, Texas 75202. The following individuals currently serve as directors of Tenet: (i) Edward A. Kangas; (ii) John E. (Jeb) Bush; (iii) Trevor Fetter; (iv) Brenda J. Gaines; (v) Karen M. Garrison; (vi) J. Robert (Bob) Kerrey; (vii) Richard R. Pettingill; (viii) Ronald A. Rittenmeyer; and (ix) James A. Unruh.

Vanguard Health Systems, Inc. is a holding company that was previously the ultimate parent company of the Vanguard entities. Vanguard Health Systems, Inc. was acquired by Tenet on October 1, 2013. Vanguard Health Systems, Inc. does not currently have any other material independent operations or assets other than holding the membership interests in Vanguard Health Holding Company I, LLC and other Tenet subsidiaries, directly or indirectly. Vanguard Health Systems, Inc.'s principal place of business is 1445 Ross Avenue, Suite 1400, Dallas, Texas 75202. The following individuals serve as directors of Vanguard Health Systems, Inc.: (i) Jeffrey Peterson; and (ii) Paul Castanon.

Vanguard Health Holding Company I, LLC is a holding company that holds the outstanding equity interests in Vanguard Health Holding Company II, LLC. Vanguard Health Holding Company I, LLC does not currently have any other material independent operations or assets other than holding the membership interests in Vanguard Health Holding Company II, LLC and other Tenet subsidiaries, directly or indirectly. Vanguard Health Holding Company I, LLC's principal place of business is 1445 Ross Avenue, Suite 1400, Dallas, Texas 75202. The following individuals serve as managers of Vanguard Health Holding Company I, LLC: (i) Jeffrey Peterson; and (ii) Paul Castanon.

Vanguard Health Holding Company II, LLC is a holding company that holds the outstanding equity interests in Vanguard Health Management, Inc. Vanguard Health Holding Company II, LLC does not currently have any other material independent operations or assets other than holding the equity interests in Vanguard Management, Inc. and other Tenet subsidiaries, directly or indirectly. Vanguard Health Holding Company II, LLC's principal place of business is 1445 Ross Avenue, Suite 1400, Dallas, Texas 75202. Vanguard Health Holding Company II, LLC is member managed by its sole member, Vanguard Health Holding Company I, LLC. The following individuals serve as managers of Vanguard Health Holding Company II, LLC: (i) Jeffrey Peterson; and (ii) Paul Castanon.

Vanguard Health Management, Inc. is a holding company that holds the outstanding equity interests in Vanguard Health Financial Company, LLC. Vanguard Health Management, Inc. is the primary employer of personnel at Tenet's corporate offices in Nashville, TN. Otherwise, this entity does not currently have any other material independent operations or assets other than holding the membership interests in Vanguard Health Financial Company, LLC and other Tenet subsidiaries, directly or indirectly. Vanguard Health Management, Inc.'s principal place of business is 1445 Ross Avenue, Suite 1400, Dallas, Texas 75202. The following individuals

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serve as directors of Vanguard Health Management, Inc.: (i) Jeffrey Peterson; and (ii) Paul Castanon.

Vanguard Health Financial Company, LLC is a holding company that will hold the outstanding equity interests in the to-be formed company referenced as VHS of Connecticut, LLC in the Organizational Chart. Vanguard Health Financial Company, LLC provides intercompany lending to certain Tenet subsidiaries. Otherwise, this entity does not currently have any material independent operations or assets. Vanguard Health Financial Company, LLC's principal business address is 1445 Ross Avenue, Suite 1400, Dallas, Texas 75202. Vanguard Health Financial Company, LLC is member managed by its sole member, Vanguard Health Management, Inc. The following individuals serve as directors of Vanguard Health Financial Company, LLC: (i) Jeffrey Peterson; and (ii) Paul Castanon.

VHS of Connecticut, LLC has not yet been formed but it is anticipated that it will serve as a holding company for other entities that will own and operate hospital-related assets within the State of Connecticut. This entity will not own or operate any hospitals or hospital-related assets directly or have any other business operations other than to act as the holding company for the interests in each of the hospital or hospital system subsidiaries. VHS of Connecticut, LLC will have 80% of the membership interests in the to-be formed Regional Provider with YNHHS holding the remaining membership interests.

YNHHS is a Connecticut non-stock corporation that is the parent company of Yale-New Haven Hospital, Inc., Bridgeport Hospital, Greenwich Health Care Services, Inc., Northeast Medical Group, Inc. and other affiliated providers. YNHHS will hold 20% of the membership interests in the to-be formed company referenced as Regional Provider. YNHHS's principal business address is 789 Howard Avenue, New Haven, Connecticut 06519. The following individuals currently serve as directors of Yale-New Haven Health Services Corporation: (i) Marna P. Borgstrom; (ii) Joseph R. Crespo; (iii) Neil P. DeFeo; (iv) Mary C. Farrell; (v) Thomas B. Ketchum; (vi) John L. Lahey; (vii) Marvin K. Lender; (viii) Julia M. McNamara; (ix) Daniel J. Miglio; (x) Barbara B. Miller; (xi) Daniel L. Mosley; (xii) Ronald B. Noren; (xiii) Benjamin Polak; (xiv) Meredith Reubin; (xv) Peter Salovey; (xvi) Elliot J. Sussman, M.D.; and (xvii) James Torgerson.

Regional Provider, LLC, the to-be formed joint venture between VHS of Connecticut, LLC and YNHHS, will serve as the holding company for the subsidiary business entities that will be established for the purpose of purchasing, owning and operating one or more healthcare facilities or providers. VHS of Connecticut LLC will hold 80% of the membership interests and YNHHS will hold the remaining 20% of the membership interests in the Regional Provider LLC. The Regional Provider LLC will hold 100% of membership interest in the to-be formed company VHS Bristol.

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VHS Bristol has not yet been formed but it is anticipated that it will serve as the subsidiary company that will own and operate New BHHCG Hospital and other affiliated entities to be acquired from BHHCG.

**Other Related Entities**

Tenet Medical Foundation, Inc. has not yet been formed but it is anticipated that it will employ physicians and healthcare care providers from each of the health systems being acquired. This entity will acquire the assets and assume the liabilities of Bristol Hospital Multispecialty Group, Inc. VHS of Connecticut, LLC will have 100% of the membership interests in the Tenet Medical Foundation, Inc.

The Risk Organization LLC is a separate joint venture to be formed between VHS of Connecticut, LLC and YNHHS. VHS of Connecticut, LLC and YNHHS will each have 50% membership interest in the Risk Organization, LLC. The Risk Organization LLC, will negotiate and enter into risk-sharing agreements with Medicare, Medicaid and other third parties. The Risk Organization LLC will have no ownership interests in any of the BHHCG assets to be acquired through this proposed transaction.

Please see **Exhibit 29** for BHHCG's organizational chart prior to the Asset Purchase.

Please see **Exhibit 30** for VHS Bristol's organizational chart after the Asset Purchase.

**31. Please provide the date on which the Hospital filed audited financial statements with OHCA. Applicants may reference these statements in responding to questions.**

Bristol Hospital filed its most recent Audited Financial Statements with OHCA on March 28, 2014.

**32. List all funding or financing sources for the \$50,000,000 Asset Purchase (the "Purchase Price") by VHS and VHS' commitment to invest \$45,000,000 in additional capital projects to benefit Bristol Hospital (the "Capital Commitment"). Provide applicable details such as interest rate; term; monthly payment; pledges and funds received to date; letter of interest or approval from a lending institution.**

Tenet will use cash to purchase BHHCG's assets for \$50,000,000. Cash also will be used for the \$45,000,000 in capital expenditures. Details such as interest rate, term, and monthly payment amounts do not apply to this Asset Purchase.

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**33. Please explain in detail the reasons why, and with respect to each item, the extent to which, the Purchase Price for BHHCG's assets may be adjusted for each of the following:**

- a. outstanding indebtedness;**
  - b. pension liabilities;**
  - c. retiree health benefits;**
  - d. captive insurers;**
  - e. capital leases;**
  - f. asbestos abatement; and**
  - g. joint venture interests that may not transfer.**
- a. Outstanding indebtedness. BHHCG will be required to use the net proceeds of the transaction for defeasance of its outstanding bond and other indebtedness as VHS Bristol will not be assuming this debt. There is no adjustment applied to the Purchase Price relating to outstanding indebtedness.
  - b. Pension liabilities. In order to ensure that BHHCG's pension obligations will be satisfied, BHHCG negotiated to have VHS Bristol assume these liabilities. The Purchase Price will be reduced by the actuarial shortfall of the frozen defined benefit pension plan at the time of Closing. As of the last review, the Purchase Price tentatively will be reduced by \$21,209,202. However, the final adjustment amount is pending actuarial review prior to Closing.
  - c. Retiree health benefits. VHS Bristol will assume any accrued post-retirement supplemental medical insurance liabilities. The Purchase Price will be reduced by the actuarial funding shortfall at the time of Closing. As of the last review, the Purchase Price tentatively will be reduced by \$5,425,771. However, the final adjustment amount is pending actuarial review prior to Closing.
  - d. Captive insurers. Not applicable. BHHCG does not have a captive.
  - e. Capital leases. Not applicable. BHHCG does not have any capital leases.
  - f. Asbestos abatement. VHS Bristol will assume the asbestos abatement liability, which relates to an accounting matter, whereby the Financial Accounting Standards Board (FASB) issued Financial Interpretation Number 47 in 2005, requiring an entity to recognize the future cost of removing asbestos to the best of their ability. BHHCG recognized this liability in fiscal year ending September 30, 2006, as that was the first year affected by the new FASB ruling. The Purchase Price adjustment for asbestos abatement will be \$604,800.

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- g. Joint venture interests. BHHCG has not yet identified an absolute value related to the joint ventures as a whole or separately that will be deducted from the Purchase Price if not transferred. It is the expectation per the APA to transfer all joint ventures to VHS Bristol. The value of the joint ventures is included in the total Purchase Price.

The amounts above show the anticipated plan for payment of debt and pension obligations as well as payment of other liabilities but are subject to adjustment at Closing.

**34. How, if at all, will the inability to transfer any joint venture interests of BHHCG above affect the Asset Purchase, other than an adjustment of the purchase price?**

Other than an adjustment of the Purchase Price, there will be no other impact on the Asset Purchase if any of the joint venture interests do not approve the change in ownership.

**35. Please explain in detail the terms of the Capital Commitment and in particular:**

- a. **the capital projects that are deemed top priorities by the Applicants; and**
- b. **the service improvements that are deemed top priorities by the Applicants.**

Applicants have identified the following priority capital projects: room refurbishment/upgrades; enhanced ambulatory care locations; routine capital equipment replacement; behavioral health renovation; emergency department renovation; and, patient access renovation.

Applicants have identified the following priority service improvements: (i) opportunities to expand the Hospital Businesses' service lines within the community; (ii) supporting recruitment and retention of primary care and specialty care physicians in the community, and employing or contracting with such physicians by an entity aligned or affiliated with the Hospital; (iii) developing a tertiary affiliation and becoming part of a network or system of health care providers that spans the care continuum, and includes preventive care, ambulatory care, urgent care, acute care, chronic care, post-acute care, behavioral health care, rehabilitation, and home care services accessible to the community; and (iv) developing or obtaining the information technology, medical home and medical management infrastructure to provide patient-centric, population health management and assume financial risk for managing the quality and cost of health care services provided to defined populations in the community. The strategic planning process is on-going and any material modification to the Strategic Business Plan and/or associated budget shall be subject to the prior approval of the Local Board.

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**36. Describe in detail how this proposal will affect the financial strength of the State's health care system and will be financially feasible.**

The financial strength of the State of Connecticut's health care system will be improved with this proposal as it will lead to a stronger and more financially secure VHS Bristol. Connecticut's hospitals and their affiliated hospital networks are an important part of the State's health care system. The financial strength of Connecticut's hospitals significantly contributes to the financial strength of the State's entire health care system. Financially strong hospital systems can provide access to new and innovative services and improve access to necessary services. Increased access to needed health care services reduces the burden on State resources and improves the health status of the community.

The proposal enables BHHCG to move from a small health care system to a large national health care system which offers resources, systems, and efficiencies which are essential for long term success in the evolving health care marketplace. Tenet will bring the strength of its national system to the service area of BHHCG and provide innovation that BHHCG could not possibly do independently. In order to offer high value health care, an essential focus of health care reform, providers across the continuum must establish new relationships, infrastructure and capabilities to provide cost efficient care. A tremendous investment is necessary in information systems, which few small hospital systems can afford. This proposal will allow VHS Bristol to benefit from advanced information systems that allow clinical integration and coordination of care. Once a needs analysis of the service area has been completed, YNHHS intends to assist VHS Bristol to provide needed high quality clinical services to serve the population.

Hospital capital needs are significant and necessary in order to offer the latest technology and competitive facilities. Physical plant renovations are constantly required just to keep hospitals in good working order. For BHHCG, the capital needs are large and cannot be met with current avenues for funding.

BHHCG is facing a \$5 million reduction in funding for Fiscal Year 2015. BHHCG has already experienced government cutbacks in reimbursement of over \$2 million in the last 3 years due to CMS RAC take backs and the sequester. BHHCG is facing an additional loss of over \$1 million in CMS funding in FY2016. The combined \$8 million cut to BHHCG's revenue represents a 5% reduction. With costs continuing to increase, and reimbursement declining, remaining a small hospital system is not sustainable in the long term.

Tenet offers both financial strength and health care experience, with the latter, further enhanced by the Regional Provider through its partnership with YNHHS. Tenet is prepared to make the necessary investments, and has the financial resources to pay for this investment without

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borrowing. These investments will strengthen VHS Bristol, an integral part of Connecticut's health care system. The proposal is financially feasible, and will add to the strength of the State's health care system.

- 37. Please provide the current payer mix for the Hospital and the projected payer mix after the Asset Purchase (based on the number of patients, not based on revenue) in the following reporting format:**

**Table 1: Inpatient Patient Population/Payer Mix**

Total Facility Description	Current Payer Mix	Year 1 Projected Payer Mix	Year 2 Projected Payer Mix	Year 3 Projected Payer Mix
Medicare*	47.4%	47.4%	47.4%	47.4%
Medicaid* (includes other medical assistance)	24.2%	24.2%	24.2%	24.2%
CHAMPUS or TriCare	0.3%	0.3%	0.3%	0.3%
<b>Total Government Payers</b>	<b>71.9%</b>	<b>71.9%</b>	<b>71.9%</b>	<b>71.9%</b>
Commercial Insurers*	26.1%	26.1%	26.1%	26.1%
Uninsured	2%	2%	2%	2%
Workers Compensation	-	-	-	-
<b>Total Non-Government Payers</b>	<b>26.3%</b>	<b>26.3%</b>	<b>26.3%</b>	<b>26.3%</b>
<b>Total Payer Mix</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

\*Includes managed care activity.

- 38. Provide the assumptions used to project the patient population/payer mix after the proposed Asset Purchase.**

The patient population/payer mix is not expected to change as a result of this proposal.

- 39. Please provide one year of actual results and three years of projections of total revenue, expense and volume statistics without, incremental to and with the CON proposal in the following reporting format:**

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- a. **Financial Attachment I(A) – for BHHCG without the CON project (columns 1, 2 5, 8 & 11) and for VHS with the CON project and incremental to the CON project (remainder columns); and**
- b. **Submit Financial Attachment I(A) using the same page and print layouts (size, font, page orientation, margins, etc.) as provided by OHCA.**

**Note that the actual results for the fiscal year reported in the first column must agree with BHHCG’s audited financial statements. The projections must include the first three full fiscal years of the project.**

See *Exhibit 31.*

- 40. Provide the assumptions utilized in developing Financial Attachment I (e.g., full-time equivalents, volume statistics, other expenses, revenue and expense percentage increases, project commencement of operation date, etc.).**

See *Exhibit 32.*

- 41. Explain any projected incremental losses from operations contained in the financial projections that result from approval of the Asset Purchase and operation of VHS or BHHCG.**

Applicants have not projected any incremental losses as a result of the proposal or operation of VHS Bristol or BHHCG.

- 42. Please describe any anticipated change to existing reimbursement contracts with payers (e.g., Medicare, Medicaid, commercial) as a result of the Asset Purchase. Is it assumed in the financial projections that VHS will willingly negotiate with the payers that the Hospital currently has contracts with?**

VHS Bristol will accept all existing contracts with payers and will complete a Change of Ownership process with commercial payers, as well as the Centers for Medicare and Medicaid Services.

- 43. Please explain in detail how the proposed Asset Purchase will be able to assure satisfaction of BHHCG’s and/or the Hospital’s debt and, if any, pension obligations.**

The Asset Purchase will satisfy BHHCG’s debt and satisfy the funding obligations of the pension plan. At the time of the close, the purchase price paid by Tenet less all adjustments

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will be combined with BHHCG's cash, investments, and debt service reserve funds (but excluding the restricted charitable funds remaining), to fully satisfy all debt. Pertaining to the frozen defined benefit pension plan, Tenet will assume full responsibility for satisfying all annual funding obligations post-closing. The funding gap of the pension plan will be deducted from the purchase price of \$50 million in consideration for assuming this liability. The current underfunded status of the plan as of the last measurement date of September 30, 2014 was \$21.2 million.

Table 1 summarizes the net proceeds and flow of funds. Although the amounts are subject to adjustment at the Closing date, the table shows the anticipated plan for payment of debt and pension obligations as well as payment of other liabilities. A portion of the post-closing surplus will be used to fund necessary wind-down operations and legal obligations of the BHHCG legacy entity (e.g., tax filings). The surplus amount shown is not assured.

**44. Please address the following regarding staffing at the Hospital by completing "Staffing Attachments I&II."**

- a. Provide the levels of staffing for fiscal year ("FY") 2014 broken out as follows:**
  - i. Average patient to nursing staff ratios per shift (a.m., p.m. and overnight) for each department and/or unit of the Hospital;**
  - ii. The same information as provided in subsection (a)(i) above showing the RN to patient ratio only; and**
  - iii. The average nursing hours per patient day (NHpPD) for each department and/or unit of the Hospital (all nursing staff should be included in the calculation of nursing hours).**

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Name of Hospital Unit or Department	Average Nurse to Patient Ratio			Average RN to Patient Ratio			Average Nursing Hours per Patient Day
	Shift #1 AM	Shift #2 PM	Shift#3 overnight	Shift #1 AM	Shift #2 PM	Shift#3 overnight	
Med/Surg – G South/G Extension	1:2.9	1:3.1	1:3.6	1:4.4	1:5	1:5.7	7.24
Med/Surg – F South	1:2.9	1:3.2	1:4	1:4.6	1:5.3	1:6.4	7.25
General Psych – Barnes 3	1:3.2	1:3.2	1:4	1:5.3	1:5.3	1:8	7.00
Families are First (mother/baby couplets)	1:4	1:4	1:6	1:6	1:6	1:8	10.67
ICU	1:1.8	1:1.8	1:1.8	1:2	1:2	1:2	14.83
Emergency Dept	1:2.5	1:2.5	1:2.7	1:4	1:4	1:4.3	2.10

Note: staffing ratios are subject to unit configuration and size, technology, acuity and the experience level of the staff.

- b. Provide the projected levels of staffing by department and/or unit for the Hospital for the first three (3) full FYs following approval of the Asset Purchase broken out as follows:**
- i. Average patient to nursing staff ratios per shift (a.m., p.m. and overnight) for each department and/or unit of the Hospital; and**
  - ii. The same information as provided in subsection (b)(i) above showing the projected RN to patient ratio only.**

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**Projected Nurse Staffing Years One – Three Post Asset Purchase**

Name of Hospital Unit or Department	Average Nurse to Patient Ratio			Average RN to Patient Ratio			Average Nursing Hours per Patient Day
	Shift #1 AM	Shift #2 PM	Shift#3 overnight	Shift #1 AM	Shift #2 PM	Shift#3 overnight	
Med/Surg – G South/G Extension	1:2.9	1:3.1	1:3.6	1:4.4	1:5	1:5.7	7.24
Med/Surg – F South	1:2.9	1:3.2	1:4	1:4.6	1:5.3	1:6.4	7.25
General Psych – Barnes 3	1:3.2	1:3.2	1:4	1:5.3	1:5.3	1:8	7.00
Families are First (mother/baby couplets)	1:4	1:4	1:6	1:6	1:6	1:8	10.67
ICU	1:1.8	1:1.8	1:1.8	1:2	1:2	1:2	14.83
Emergency Dept	1:2.5	1:2.5	1:2.7	1:4	1:4	1:4.3	2.10

Note: staffing ratios are subject to unit configuration and size, technology, acuity and the experience level of the staff.

**45. Provide a detailed explanation by department and/or unit as completed by the Applicants in Staffing Attachment I, to reconcile any differences between FY 2014 nursing staff levels and those projected for the first three (3) full FYs following approval of the Asset Purchase.**

Not applicable. There are no projected differences in staffing levels in the above table.

**46. Describe any other Hospital-employed or Hospital-contracted staff besides nursing staff (e.g., hospitalists, mid-level providers, therapists, etc.) that were engaged to provide direct patient care at the Hospital (collectively, “Ancillary Caregivers”) for FY 2014 broken out as follows:**

- a. **The type of Ancillary Caregivers and the department and/or unit to which such staff was assigned;**
- b. **The average number of hours per week that such Ancillary Caregivers provided patient care for the department and/or unit; and**
- c. **For the first three (3) full FYs following approval of the Asset Purchase, the average number of hours per week that such Ancillary Caregivers are**

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**projected to provide patient care for each department and/or unit of the Hospital described in subsection (a) above.**

Please refer to *Exhibit 33* for current and projected ancillary staffing.

- 47. Provide a detailed explanation by department and/or unit to reconcile any differences between the average number of hours per week that the Ancillary Caregivers described in Question [46] above provided patient care in FY 2014 with those projected for the first three (3) full FYs following approval of the Asset Purchase.**

Not applicable. There are no projected differences in staffing levels included in *Exhibit 33*.

- 48. Provide evidence that the proposed staffing for nursing staff and Ancillary Caregivers for the first three (3) full FYs following approval of the Asset Purchase meet all Connecticut Department of Public Health (“DPH”) staffing requirements and assure continued access to high quality and affordable health care. Be sure to cite the appropriate DPH regulations and/or other industry benchmarks as applicable.**

The Hospital, as directed in the Connecticut General Statutes (Sec. 19a-89e), has developed staffing plans for all inpatient units, critical care areas, and the Emergency Department. The staffing plan is included as *Exhibit 34*.

- 49. Please provide copies of all CMS statements of deficiencies and plans of correction (CMS Form 2567) for hospitals owned by Tenet for the two (2) most recently completed federal fiscal years. Provide these documents in an electronic format only. PDF file on a CD to accompany the responses. No paper copies required.**

It would be extremely cumbersome and time-consuming to obtain these documents as they are kept in hard-copy form at each individual Tenet-owned hospital, and there are no aggregate compilations at the corporate level. Included, however, are statements of deficiency for the following Tenet-owned hospitals: Saint Vincent and MetroWest in Massachusetts; Detroit Medical Center in Michigan; and Baptist Health System in Texas, received in FY 2014 (*Exhibit 35*). It should be noted that these documents are not reflective of a hospital’s quality of care. Given the vast number of health care regulations and the complexity of hospital operations, it is not unusual for hospitals to receive statements of deficiencies following a survey. Importantly, in large part, statements of deficiencies assist a hospital in maintaining patient safety by identifying issues that over time could result in patient safety issues; they generally are not, however, an indication of unsafe care or ineffective hospital operations.

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Tenet owns and operates 80 hospitals across the United States. All are currently accredited by The Joint Commission ("TJC") and are subject to unannounced CMS surveys. (One of Tenet's hospitals is a critical access hospital licensed and surveyed by the state. Another hospital is currently accredited by HFAP in good standing, and is scheduled for its initial TJC survey prior to the end of 2014). Any Tenet hospital receiving a statement of deficiencies following a CMS survey has submitted, within the ten (10) day deadline, a plan of correction. The plans of correction submitted have been approved by CMS and those hospitals have been found in compliance at the time of re-survey. Moreover, none of Tenet's hospitals has been decertified by CMS.

Tenet's record of health and safety is credited to its robust quality program (the "Tenet Quality Program") instituted at all of its hospitals and facilities. Tenet's comprehensive quality program focuses on four key areas: (i) patient safety; (ii) service; (iii) clinical quality, variation and cost of care; and (iv) transparency. Tenet's patient safety program includes strategies to reduce serious safety events and hospital-acquired conditions and infections, all with a goal of zero patients harmed. Tenet's service program is aimed at achieving meaningful results in patient care experience by targeting performance in patient satisfaction, employee engagement and physician satisfaction. Clinical quality, variation and cost of care involve pursuing continual improvement in clinical outcomes while lowering costs through the reduction of unnecessary clinical variation. Key clinical indicators are tracked through a balanced scorecard with performance tied to the management incentive plan. Transparency is achieved by Tenet's full participation in Federal and state quality reporting programs, as well as numerous other publicly transparent evaluators of performance. Overall, principles of high reliability and transparency are the foundation of the Tenet Quality Program.

In addition to the strong Tenet Quality Program, there are many other objective third party indicators that demonstrate Tenet's commitment to quality and safety. Tenet has achieved the following quality indicators:

1. LeapFrog Safety Scores — hospitals performing well above national average. See *Exhibit 36* for most recently reported LeapFrog Safety Scores.
2. 26 facilities recognized as TJC top performers on key quality measures. (See *Exhibit 37.*)
3. TJC Disease-Specific Certification — 81 Disease-Specific Certification designations
4. 8 Magnet Hospitals — hospitals identified by the American Nurses Credentialing Center as having exceptional nursing standards as well as a good work environment for nurses
5. 1 Pathway to Excellence Hospital - identified by The American Nurses Credentialing Center as a positive work environment for nurses

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6. 10 Breast Cancer Centers achieving accreditation by the American College of Surgeons
7. 5 Trauma Centers verified by the American College of Surgeons with resources to provide optimal trauma care
8. 3 hospitals nationally recognized by U.S. News and World Report and 12 hospitals recognized as high performers
9. American Heart Association Get With The Guidelines Awards
  - a. Stroke Recognition (30 Hospitals on Target Stroke Honor Roll-highest recognition, 32 Gold Plus, 4 Gold, 5 Silver Plus)
  - b. Heart Failure Award Recognition (35 Gold Plus, 3 Gold, 8 Silver Plus = 46 hospitals out of 51 participants)

Tenet has a strong commitment to ensuring patient safety and health care quality. The Tenet Quality Program is critical to the operation of each of its hospitals and facilities and will be fully instituted in the hospitals Tenet is seeking to acquire in Connecticut.

**50. Provide a copy of, and describe any changes to, any of the following policies and procedures that will be in place at the Hospital if the Asset Purchase is approved:**

- a. **Hospital collection policies (including charity care and bad debt);**
- b. **annual or periodic review and/or revision to the Hospital's pricing structure (the chargemaster or pricemaster); and**
- c. **the annual or periodic market rate assessment for the Hospital.**

Please see *Exhibit 38* for copies of the Hospital's charity care and collections policies. There are no planned changes to the charity care policies. There are no policies regarding pricemaster review and/or revision. Nor do policies exist regarding periodic market rate assessments for the Hospital.

**51. The Hospital has provided OHCA with its annual FY 2014 pricemaster, which was most recently updated for the month of August, 2014. With respect to these submissions, please answer the following:**

- a. **Will the pricemaster change as a result of the Asset Purchase?**
- b. **If so, please identify any anticipated increases or decreases to the pricemaster as a result of the Asset Purchase.**

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- c. **Please quantify the overall percentage increase or decrease in the pricemaster that is anticipated in subsection (b) above and explain the rationale for such change.**

The Hospital pricemaster will not change as a result of the Asset Purchase. The New BHHCG will conduct pricemaster reviews from time to time as occurs currently.

52. **Please provide monthly financial statistics reports for FY 2014, current month and year-to-date, and comparable period for FY 2013 to OHCA, for the Hospital only, and for BHHCG, with the Application and thereafter on a monthly basis for each month, until a public hearing in this matter is held. The following financial measurements/indicators should be addressed in the reports:**

**Monthly Financial Measurement/Indicators**

<b>A. <u>Operating Performance</u></b>
Operating Margin
Non-Operating Margin
Total Margin
Bad Debt as % Gross Revenue
<b>B. <u>Liquidity</u></b>
Current Ratio
Days Cash on Hand
Days in Net Accounts Receivables
Average Payment Period
<b>C. <u>Leverage and Capital Structure</u></b>
Long-term Debt to Equity
Long-term Debt to Capitalization
Unrestricted Cash to Debt
Times Interest Earned Ratio
Debt Service Coverage Ratio
Equity Financing Ratio
<b>D. <u>Additional Statistics</u></b>
Income from Operations
Revenue Over/(Under) Expense
EBITDA
Patient Cash Collected
Cash and Cash Equivalents
Net working Capital

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Unrestricted Assets
Credit Ratings (S&P, FITCH and Moody's)

Please refer to *Exhibit 39*.

**53. Please describe in detail the corporate structure, governance, controlling body, purpose and function of the restructured Bristol Hospital Multispecialty Group, Inc. (“Foundation”) after the Asset Purchase, including the identity of all members of the Foundation and their authority. In your answer, please elaborate on how this restructuring relates to VHS’ commitment to maintain the Bristol Hospital Medical Staff.**

Tenet Healthcare Corporation or an affiliate (“Tenet”) intends to organize and become the member of a medical foundation (“Tenet Medical Foundation”) in accordance with the provisions of Public Act No. 14-168, which will be the only medical foundation in Connecticut of which Tenet will be the member. Tenet Medical Foundation will employ physicians providing services to VHS Bristol and each of the other Connecticut hospitals acquired by Tenet.

It is expected that the Bylaws of Tenet Medical Foundation will contain the following provisions:

- Tenet will be the sole member.
- Tenet will elect the directors.
- The number of directors will be between 5 and 15.
- There will be an equal or greater number of directors who are providers as there are directors who are non-provider employees of Tenet.
- No employee or representative of a nonprofit hospital, health system or medical school or an entity controlling any such institution will be a director.
- No member of the board of directors of a medical foundation organized by a nonprofit hospital, health system or medical school will be a director of Tenet Medical Foundation.
- In addition to the board of directors, there will be advisory committees comprised of representatives of each Connecticut hospital or health system

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that is part of the Tenet system that will advise the board of directors with respect to each such hospital.

- The board of directors may establish such standing or special committees as it deems proper.
- Tenet Medical Foundation shall not operate for profit.

The Bristol Hospital Medical Staff includes physicians employed by Bristol Hospital Medical Specialty Group, Inc. and independent, community-based physicians. The proposed restructuring will not impact VHS Bristol's commitment to maintain the Bristol Hospital Medical Staff. In Section 5.24 of the Asset Purchase Agreement VHS Bristol provides that "to ensure continuity of care in the community, the Hospital's medical staff members in good standing at Closing will have medical staff privileges at the Hospital immediately after the Closing..." In addition, in Section 5.03(b) of the Asset Purchase Agreement VHS Bristol Health System, LLC provides that it or one of its affiliates will assume all employment agreements with the BHMSG physicians. VHS Bristol also has committed to the following:

- VHS Bristol shall involve physicians of the Hospital's medical staff in the strategic and capital planning processes for the Hospital Businesses, to insure that the critical needs of the medical staff are met and that strategic initiatives and investments in the Hospital Businesses are prioritized to meet the needs of physicians who practice at the Hospital and their patients.
- VHS Bristol shall work together with the physicians on the medical staff of the Hospital to develop the medical staff bylaws, rules and regulations, medical staff committee structure, credentialing plan, and fair hearing plan of the Hospital following the Closing.
- VHS Bristol will encourage and support participation by both independent and employed physicians who are members of the Hospital's medical staff in VHS Bristol Health System, LLC or its Affiliate's Physician Leadership Council.

(See *Exhibit 1*, Section 5.24)

**54. Provide a copy of BHHCG's and the Hospital's IRS Form 990 for the 2013 tax year and with respect to the amounts listed on each line item within Part 1, Section 7 of Schedule H ("Financial Assistance and Certain Other Community Benefits at Cost"), provide a**

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projected amount for each line item for the first three (3) tax years following the Asset Purchase. Please note that it is understood that the Hospital will not file an IRS Form 990 following the Asset Purchase. This question is directed at determining the amount of programmatic and financial support that the Hospital will continue to provide in these community benefit categories. In providing this information, please elaborate on the specific activities included and how the projections demonstrate VHS' commitment to maintain and adhere to the Hospital's current policies regarding charity care, indigent care, community benefit, community volunteer services and community outreach services or to adopt other policies that are at least as favorable to the community as the Hospital's current policies.

Please refer to Exhibit 40 for the BHHCG and Hospital 990 reports. Please refer to Exhibit 41 for projected Community Benefit expenditures post-transaction.

As noted in Question 27, VHS Bristol will adopt BHHCG's existing charity care policies and will continue to provide exceptional care and the same, if not better, level of services currently provided by BHHCG to the uninsured and underinsured.

- 55. With respect to the amounts listed on each line item within Part II of Schedule H of the Hospital's IRS Form 990 for the 2013 tax year ("Community Building Activities"), provide a projected amount for each line item for the first three (3) tax years following the Asset Purchase. Please note that it is understood that the Hospital will not file an IRS Form 990 following the Asset Purchase. This question is directed at determining the amount of programmatic and financial support that the Hospital will continue to provide in these community building activity categories. In providing this information, please elaborate on the specific activities included and how the projections demonstrate VHS' commitment to maintain and adhere to the Hospital's current policies regarding charity care, indigent care, community benefit, community-based health programs, community volunteer services and community outreach services or to adopt other policies that are at least as favorable to the community as the Hospital's current policies.**

The Hospital has no items listed on Part II of Schedule H of the IRS Form 990. However, in addition to the uncompensated care and discounted care provided as well the CHNA, the Hospital is actively involved in the local community and engages in numerous community wellness, community building and other community benefit initiatives. Select examples are described below.

#### **Free Screenings and Health Fairs**

The Hospital provides free screenings such as blood pressure screening, diabetes screening and balance screening throughout the year. In addition, the Hospital supports community health

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fairs such as the Bristol Home and Business Expo, Tunxis Community College Health Fair, EBM/PAPST Health Fair, West End Event, Senior Center Health Fair, NAACP Health Fair, Shamrock Run and New Britain Oktoberfest.

### **Health Discussions**

BHHCG affiliated physicians provide free health education for the community throughout the year. Some sessions occur at the Hospital while others occur at venues in the Hospital's service area. Past topics include dementia, healthy living, fall prevention, polypharmacy, joint health, thyroid health, smoking cessation, chronic lung disease, breast health, exercise for seniors, heart health and sports health.

### **Pathways to Your Health**

The Hospital develops and disseminates a community program catalogue to residents in the Greater Bristol community on a biannual basis. Included in this catalogue is information on free health screenings, parenting programs, nutrition and exercise programs, support groups and informational sessions provided by the Hospital.

### **Texting and Driving Event**

Bristol Hospital's Learning Center presented its annual combination medical career fair and distracted driving awareness event entitled "Consequences of Distracted Driving" on Oct. 14, 2014. The two-part event includes a career fair for students who may be interested in pursuing a career in health care.

Approximately 40 high school students from several local high schools took part in "Consequences of Distracted Driving." Numerous clinical stations demonstrated for students some of the procedures they might have to undergo if they were to get into an accident as a result of being distracted while driving. The event included demonstrations and presentations with:

- EMS
- Visit to an operating room suite
- Emergency Room Treatment of Trauma
- Radiologic images of head trauma, abdominal trauma and broken bones
- Intravenous Insertion Simulation
- Beer Goggles – To visually replicate the effects of drinking
- Emergency Treatment of Extremity Fractures
- Intubation

### **Boys and Girls Club Bike Helmet Event**

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Team members from the Hospital's Emergency Center and its physician group staffed a bicycle safety event on June 19, 2014 at the Bristol Boys and Girls Club and Family Center's "Family Fun Night". Emergency physicians and nurses properly fitted children with dozens of donated bike helmets.

**Thanksgiving Food Donation**

Because of the generosity of the Hospital's Medical Staff, approximately 180 families were able to share a Thanksgiving meal in their homes with family.

**Community Improvement**

The Hospital recently razed three houses in the community that were vacant and in significant disrepair. These houses were used illegally by transients and represented a danger to the community. In place of these blighted properties, the Hospital is developing patient and community parking and providing landscaping for community beautification.

**Adopt a Family for the Holidays**

Each year, Hospital employees are invited to "adopt" a needy family during the winter holidays. In 2013, Hospital employees "adopted" 54 families and provided them with holiday gifts, clothing and basic necessities.

Applicants expect that VHS Bristol will continue to provide community benefit support to its community because VHS Bristol's long term success is tied to the wellness of its service area residents.

**56. Please discuss whether the Asset Purchase and formation of VHS is expected to achieve an improved negotiating position with vendors and/or payers and, if such an improved negotiating position is anticipated, how it will translate into tangible savings for the consumer of health care services. Provide a response that both describes any anticipated improvements in detail and quantifies the expected results for the consumer.**

As noted in Applicants' response to Question 23, a primary objective of the transaction is to allow for a coordinated approach to care. By coordinating care among New BHHCG Hospital, community physicians and other providers, the patient population will benefit not only from the perspective of better care and better outcomes, but also from a cost perspective.

With respect to vendors, VHS Bristol will be able to take advantage of Tenet's greater economies of scale and superior supply chain management, which will further reduce the Hospital's cost structure because vendors will benefit from lower unit costs in dealing with larger purchasers. It is anticipated that cost savings will be passed on to consumers. Moreover, Tenet expects that the transaction will allow VHS Bristol to offer plans in which VHS Bristol

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assumes financial risk which, with the support of Tenet, VHS Bristol will be in an improved position to assume.

Applicants expect that for all of the reasons noted above and in response to Question 23, the transaction will benefit consumers from a financial standpoint, as VHS Bristol will have a lower cost structure and superior, cost-competitive products than it otherwise would be in a position to offer.

**57. Provide details of plans to be put in place to ensure the proposed health care services provided by VHS adhere to the National Standards on Culturally and Linguistically Appropriate Services (CLAS) to advance health equity, improve quality and help eliminate health care disparities in the projected service area. (For more details on CLAS standards see <http://minorityhealth.hhs.gov/Default.aspx#sthash.U320zUXq.dpuf>.)**

BCHHG offers a number of programs which address the National Standards on Culturally and Linguistically Appropriate Services (CLAS). These programs are briefly described below.

BHHCG offers language assistive services which can be accessed by any hospital employee when needed for interacting with a patient or family. BHHCG's primary resource is CyraCom Telephonic Language Services which provides 24/7 access to a large variety of languages over the telephone. In addition, there are resources for accessing in-person interpreters for hearing impaired patients or family members. One such resource is Family Services of Woodfield who will provide an interpreter within 15 minutes of a request. BHHCG also offers Assistive Listening Devices, TTY/TDD equipment and Video Remote Interpretation.

BHHCG's commitment to cultural awareness and embracing diversity starts with its Board of Directors. Since January 2012, BHHCG has maintained an active Diversity Team which meets monthly and reports to the Hospital Board. The Board approved 2014 Diversity Plan is attached as **Exhibit 42**. Goal Statements are:

- a. Increase diversity in hospital governance and management which will be measured by the percent of diverse board members and management staff and the change over time to reflect our community profile.
- b. Improve cultural awareness and competence in the delivery of care by increasing the percent of staff who have received cultural competence training, increasing the number of programs, activities and messages on an annual basis.
- c. Increase supplier diversity.

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These services will continue to be provided by VHS Bristol and augmented as its community need changes.

**58. For those employees of BHHCG that will continue to be employed by VHS, what is the projected difference between the benefits currently offered to BHHCG's employees and the benefits offered to employees at other hospitals operated by Tenet?**

Tenet will offer employment to all active employees in good standing as of the Closing, subject to the satisfactory completion of Tenet's usual and customary hiring practices, in positions and at salaries at least equal to those then being provided by BHHCG and with employee benefits consistent with employee benefit plans offered to employees at other hospitals operated by Tenet in similar markets. Medical staff members of the Hospital who are in good standing as of the Closing shall maintain medical staff privileges following the Closing.