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April 27, 2016

**VIA HAND DELIVERY**

Office of the Attorney General  
55 Elm St.  
P.O. Box 120  
Hartford, CT 06141-0120  
Attn: Atty. Gary W. Hawes, Assistant Attorney General

Office of Health Care Access  
Department of Public Health  
410 Capital Avenue  
Hartford, CT 06134  
Attn: Steven W. Lazarus, Health Care Analyst

**Re: Greater Waterbury Health Network, Inc. Proposed Asset Purchase by Prospect Medical Holdings, Inc.; OHCA Docket Number: 15-32017-486 and Attorney General Docket Number: 15-486-02**

Dear Mr. Hawes and Mr. Lazarus:

Greater Waterbury Health Network, Inc. and Prospect Medical Holdings, Inc. hereby submit the following:

1. Responses to the issues identified in the letter dated April 13, 2016 from the Office of the Attorney General and the Office of Health Care Access (the "Hearing Notice").
2. Prefile testimony of the following individuals, each of whom will be present at the hearing scheduled for May 3, 2016, and will be available for questions:

**For Greater Waterbury Health Network, Inc.:**

Carl Contadini  
Darlene Stromstad  
Carl Sherter, M.D.  
James Moylan

For Prospect Medical Holdings, Inc.:

Von Crockett  
 Mitchell Lew, M.D.  
 Jonathan Spees  
 Steven Aleman

As requested, the prefile testimony addresses the topics identified in the Hearing Notice. Please find below a chart that shows which speaker's testimony addresses each of the topics identified:

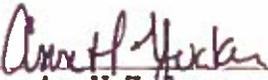
Topic	Prefile Testimony
1. The clear public need for and the community benefits of the proposal.	All
2. How access to care will be maintained in the service area following the purchase of Greater Waterbury Health Network, Inc.'s ("GWHN") assets, including Waterbury Hospital, by Prospect Medical Holdings, Inc. ("PMH").	All, but particularly the testimony of Mitchell Lew, M.D. and Jonathan Spees
3. PMH's management of Quality Assurance and Performance Improvement (QAPI) across its hospital network and, in particular, the manner in which oversight of the QAPI program will be managed at Waterbury Hospital.	Testimony of Von Crockett
4. The roles and responsibilities of PMH's Chief Quality Officer, Chief Clinical Officer, Senior Chief Nursing Officer and VP of Regulatory and Patient Safety in overseeing the QAPI program across its hospital network, and, in particular, Waterbury Hospital, as well as the role and responsibilities of the Hospital Board and Local Board (as those terms are defined in the Application) for management of QAPI at Waterbury Hospital post-closing.	Testimony of Von Crockett
5. The financial feasibility of the proposal.	Testimony of Jonathan Spees and Steven Aleman

<b>Topic</b>	<b>Profile Testimony</b>
6. How prices for, and the cost of, health care services at Waterbury Hospital will be affected by PMH's acquisition.	Testimony of Mitchell Lew, M.D. and Jonathan Spees
7. The charity care policies to be implemented at Waterbury Hospital following the transfer of ownership and how they compare to PMH's current charity care policies.	Testimony of Jonathan Spees
8. The commitment PMH is willing to make to performing future health needs assessments for the communities in GWHN's service area in a manner that allows for widespread public input, collaboration with other health care providers in the community as well public dissemination of the assessments and Waterbury's implementation plan to address the identified needs.	Testimony of Von Crockett and Jonathan Spees
9. The expected timing of the creation of the Independent Foundation, its basis for 501(c)(3) status, and the timing and content of the approximation actions for those charitable funds restricted as to use and those funds whose unrestricted income can and will be used to pay off GWHN liabilities post close.	Testimony of James Moylan and Carl Contadini

At your request, one (1) hard copy and (1) electronic copy have been provided to each Office. If you have any questions or need anything further, please feel free to contact Ann Zucker at (203) 252-2652 or Michele Volpe at (203) 777-6995. Thank you for your assistance in this matter.

Very truly yours,

Carmody Torrance Sandak & Hennessey LLP

By:   
Ann H. Zuker  
Its Partner

Bershtein Volpe & McKeon, P.C.

By:   
Michele Volpe  
Its Partner

cc. **Kimberly Martone, Director of Operations, Department of Public Health  
Division of Office of Health Care Access  
Jonathan Spees, Prospect Medical Holdings, Inc. (via regular mail)  
Darlene Stromstad, Greater Waterbury Health Network, Inc. (via regular mail)**

**PREFILE TESTIMONY OF  
CARL CONTADINI**

STATE OF CONNECTICUT  
OFFICE OF THE ATTORNEY GENERAL  
  
AND  
  
DEPARTMENT OF PUBLIC HEALTH  
OFFICE OF HEALTH CARE ACCESS

April 26, 2016

Attorney General Docket No. 15-486-02  
OHCA Docket No.: 15-32017-486  
Greater Waterbury Health Network, Inc.  
Proposed Asset Purchase by Prospect  
Medical Holdings, Inc.

Testimony of Mr. Carl Contadini, Chair of the Board, The Waterbury Hospital and Greater Waterbury Health Network, Inc.

Good Afternoon, Attorney Zinn-Rowthorn and Hearing Officer Hansted. On behalf of all members of the Greater Waterbury community, I welcome both the members of the office of the Attorney General and the representatives of The Office of Health Care Access to our community.

I thank you for the time that you have again invested in a careful examination of a proposed acquisition of Greater Waterbury Health Network, Inc., this time by Prospect Medical Holdings Inc. ("Prospect"). We appreciate the care and patience with which you and your staff have approached this matter.

We have presented you with thousands of pages of supporting documentation describing a transaction that we are convinced presents the best opportunity to preserve Waterbury Hospital and to both continue and enhance health care services in our community on a going-forward basis. The Hospital Board and management spent countless hours weighing the Hospital's challenges and options in deciding upon Prospect in this transaction. I am joined today by several other witnesses who will speak to our efforts along with attorneys, bankers and other advisors who have assisted us in this process and who will be available to respond to any particular questions you may have.

I've served on the hospital board since 2005; I am firmly convinced of two things: our Board exercised the requisite diligence with respect to this transaction and that having Prospect in our community will ensure continued access to high quality medical care.

**I. Clear public need for and community benefits for the transaction**

Over the last ten years, Waterbury Hospital has experienced repeated financial losses because of declining reimbursement, the increasing complexity of health care treatments, poor economic conditions state wide, and in particular in Waterbury. In addition, like most community hospitals

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nationwide, national health care reform has presented a difficult challenge for GWHN. It is no longer able to access capital for improvements needed in its infrastructure. Over the same ten years, the Waterbury Hospital has experienced increased demand for emergency and urgent care services and behavioral health care services. Waterbury Hospital is a safety net hospital, serving one of the most economically disadvantaged communities in the State.

Without a financially sound purchaser, healthcare in the Greater Waterbury community will suffer. The financial strength of Prospect, its commitment to favorable charity care policies, and its Coordinated Regional Care model, which has been detailed thoroughly in the Application and Completeness Questions make Prospect the right choice. Our Board firmly believes that the Prospect transaction will ensure that high quality, sustainable health care remains accessible for our community.

I would like to briefly review some of the statutory criteria for your deliberations in this matter and how we addressed each of these in our journey.

## **II. The Hospital's Due Diligence in Deciding to Transfer, Selecting the Partner and Negotiating the Terms of the Transfer (C.G.S. § 19a-486c (a)(2)(A), (B) and (D))**

### **A. Decision to Transfer**

The Board has exercised due diligence in making its election to transfer, selecting the partner and negotiating the terms and conditions of the transaction. In our Application, we described the process by which the Hospital evaluated the issues it faced and the options it had to meet those challenges. Waterbury Hospital has been struggling financially and has explored a number of transactions since 2005. The Board examined numerous alternatives for the Hospital's future. We sought the advice and experience of nationally recognized outside experts. We considered many possibilities including retaining independent status, as well as entering into partnerships and affiliations with other non-profit health systems. After a thorough deliberative process involving review of numerous reports provided to us by expert national consultants including PriceWaterhouse Coopers, Kaufman Hall, and Cain Brothers, we concluded that it was imperative to seek a partnership with an entity that could provide us with access to capital and economies of scale to insure the Hospital's continued high level of quality services.

In 2012, we submitted an application for a joint venture with Saint Mary's Hospital and LHP Hospital Group. The diligence related to that effort was thoroughly explained in that application. After a year of incredibly diligent efforts, LHP terminated the process. Nobody was more disappointed than me. However, our fiduciary obligations brought us back to the table immediately. After another extensive period of due diligence and deliberations, we entered into a Letter of Intent with Vanguard Health Systems, Inc. (later acquired by Tenet Health Corporation ("Tenet")). After a lengthy negotiation, diligence and regulatory process, this transaction, too, was terminated by our potential partner in February of 2015.

We could not, and cannot, permit our community to be without strong sustainable healthcare that provides all medically necessary services right here in Waterbury. GWHN's task force met very quickly after Tenet announced its withdrawal from Connecticut. There were a number of meetings

among Tenet and hospital representatives and government officials aimed at bringing Tenet back to the table but ultimately these were unsuccessful.

The Task Force requested Cain Brothers to re-canvass the market for prospective partners. There was a strong sentiment that the Tenet decision had made Connecticut unappealing for for-profit entities and, in fact, informal outreach efforts revealed this to be the case. In addition to for-profit systems, there were some exploratory conversations with two academic medical centers, but ultimately no paths forward were identified with these centers.

## **B. Selection of Purchaser**

As to our due diligence in the selection of a purchaser, the initial RFP process in 2011 was carefully coordinated by our legal advisors and investment banker, Cain Brothers and, as detailed in the Application, was very thorough. Through its work in the prior two transactions with Cain Brothers, the Task Force had become knowledgeable about possible acquirers. As it approached a third transaction GWHN's advisors noted that as first LHP, and then, Tenet, terminated their transactions, the pool of potential acquirers grew smaller and the attractiveness of Connecticut and Waterbury also diminished.

During the first quarter of 2015, the Task Force again met a number of times with its advisors and kept the GWHN Board apprised of its activities. Three out of state for profit candidates contacted Cain Brothers and indicated their interest in Waterbury Hospital; two submitted proposals. After studying these proposals, the Task Force presented the two proposals to the Board. One proposal was from Prospect, which had participated in the processes during the prior two deals. The following factors continued to be important to the Board:

- Continuance of high quality health services in the community
- Local participation in governance
- Economic value, including willingness to deploy capital in Waterbury
- Form of transaction
- Overall strategic plan
- Familiarity with the New England marketplace.

The Board was encouraged by the transaction and regulatory process that Prospect had recently successfully completed in Rhode Island and Prospect's review and understanding of the recent Connecticut regulatory activities.

### **C. Negotiating Terms of the Transfer**

The Board was thorough in developing the transaction structure and successfully negotiated terms and conditions for a transfer that significantly benefits our community. These include Prospect's commitment to invest in needed capital expenditures for the Hospital as well as a local presence on an advisory board. With the help of Cain Brothers, the terms of the Letter of Intent were thoroughly negotiated first among the business people and then the parties' counsel.

During the course of the Transaction, we learned that, 1) it was likely that the Hospital would not have sufficient cash to close the Transaction, and 2) several of Prospect's hospitals were subject to Immediate Jeopardy findings by CMS. These factors required the transaction team to again negotiate to accommodate some unanticipated issues. Each of these issues required extensive diligence and negotiation on the part of our Board and management team, as well as the cooperation and collaboration of the parties to resolve them. You will learn more about our "Quality Assurance Letter" and on the financial accommodations that Prospect has made to facilitate a closing in other documentation submitted and during the hearing.

### **III. Independent Expert Fairness Evaluation (C.G.S. § 19a-486c(a)(2)(C))**

Our conclusions as to the adequacy of the Prospect proposal were validated by a fairness opinion from the firm of Principle Valuation. We initially chose Principle after conducting an RFP process during the proposed transaction with LHP in 2012; Principle also performed the fairness opinion for the proposed transaction with Tenet in 2014. Having performed these evaluations as well as the valuations for Saint Mary's, we believed that they had in-depth knowledge of the Connecticut market. Their opinion found the Prospect proposal to be at a fair market value for the Hospital and transferred affiliates. We have been fortunate in successfully negotiating a transaction value that rewards the local community with a purchase price providing at least fair market value for the assets being transferred.

### **IV. Conflicts of Interest (C.G.S. § 19a-486c(a)(3))**

We engaged in a thorough conflict disclosure effort at GWNH and Hospital board levels. Additionally, we have reviewed potential conflicts of interest for the experts and advisors involved in this process. We disclosed that there are several physicians on our Board that are employed by the Hospital or its affiliates and that one such physician is also on the board of the independent physician association recently formed by Prospect.

### **V. No Manipulation of Asset Value (C.G.S. § 19a-486c(a)(5))**

Related to your consideration of fair market value, there is no evidence that any improper manipulation of GWHN's fair market value has occurred.

**VI. Financing Does Not Place the Hospital's Assets as Unreasonable Risk (C.G.S. § 19a-486c(a)(6))**

To this end, I would note that Prospect has represented that it does not plan to borrow from a third party to close this transaction.

**VII. Management Contracts (C.G.S. § 19a-486c(a)(7))**

There is no management contract in the proposed transaction.

**VIII. Transfer of Charitable Assets (C.G.S. § 19a-486c(a)(8))**

The Hospital recognizes that, as a charitable organization, its assets must be used in a manner consistent with the Hospital's mission and purpose. In the case of assets which have been donated to the Hospital, the intentions of the donors must also be respected and followed. Our Application outlines that a new post conversion foundation will be formed. It will receive charitable assets as enumerated by the Attorney General's office. The entity known as "The Waterbury Hospital" will liquidate the liabilities. A completely separate, independent foundation will be formed to receive those charitable assets that are appropriate for the independent foundation to hold, as well as the net proceeds of the Transaction, if any.

**IX. Provision of Adequate Data (C.G.S. § 19a-486c(a)(9))**

Finally, I understand that all of the requests of the Office of the Attorney General and Office of Health Care Access received as of today have been satisfied and we will, of course, provide any further information requested.

**CONCLUSION**

In summary, we believe that the transaction proposed with Prospect not only satisfies all the applicable statutory criteria, but also is a transaction that best addresses the ongoing health care needs of the community while preserving Waterbury Hospital as a functioning health care institution. I thank you for the opportunity to make this presentation to you today and would be happy to address any questions or comments you might have.

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**PREFILE TESTIMONY OF  
DARLENE STROMSTAD**

STATE OF CONNECTICUT  
OFFICE OF THE ATTORNEY GENERAL  
  
AND  
  
DEPARTMENT OF PUBLIC HEALTH  
OFFICE OF HEALTH CARE ACCESS

April 26, 2016

Attorney General Docket No. 15-486-02  
OHCA Docket No.: 15-32017-486  
Greater Waterbury Health Network, Inc.  
Proposed Asset Purchase by Prospect  
Medical Holdings, Inc.

I. Introduction

Good afternoon. My name is Darlene Stromstad and I am the President and Chief Executive Officer of Greater Waterbury Health Network, Inc. ("GWHN"). Thank you for providing us with the opportunity to submit testimony in support of GWHN's proposal to transfer its assets to Prospect Medical Holdings, Inc. ("Prospect").

Mr. Contadini has provided important background on the proposed transaction and has outlined the extensive process that the Board has undertaken in reviewing the transaction. I would like to provide some additional information on the substance of the proposed transaction and how it will meet the important public need for continued access to care in Greater Waterbury.

II. Background

Waterbury Hospital has been committed to providing high quality, compassionate health care to the greater Waterbury community since the 1890s. GWHN and its affiliates and joint venture companies, are economic anchors, particularly in the City of Waterbury where it is one of the biggest employers. The primary goal in entering into the proposed transaction with Prospect is to ensure sustainable local access to a full range of health care services for the greater Waterbury community.

Reduced reimbursement, increased taxes, and increased capital requirements have all combined to put community hospitals in financial jeopardy. GWHN is no different. In fact, on an operating basis, GWHN has often operated at a loss. The Connecticut hospital tax and reductions in state payments to hospitals have exacerbated an already difficult situation. As a nonprofit entity, access to capital markets is limited, and the market for the tax exempt debt of community hospital is nonexistent.

In his prefile testimony, Mr. Contadini outlined the process that GWHN followed to choose Prospect as an affiliation partner. I'd like to highlight some key terms of the transaction and why they satisfy the regulatory requirements for approval by the Office of the Attorney General and Office of Health Care Access.

### III. Benefits of Proposed Transaction

The proposed asset purchase agreement and the other details of the transaction are described in the Application and the "completeness questions" and answers. Some key highlights include:

- The consummation of the transaction will permit GWHN to satisfy its outstanding debt.
- Any funds remaining after payment of liabilities and completion of a wind-down of operations will be transferred to an independent tax exempt foundation which will ensure that the funds will continue to be used in furtherance of charitable health care purposes and to support and promote health care generally in the communities traditionally served by GWHN.
- The hospital will have a local advisory board that will oversee quality issues and permit continued community involvement in operations.
- Prospect will offer employment to all employees of GWHN in good standing and assume GWHN's pension obligations to employees. Existing union contracts will be maintained.
- Subject to the conditions described in the Application and Asset Purchase Agreement, Prospect will commit to spend not less than \$55,000,000 on capital items at GWHN over seven years.
- After the closing, Prospect will continue GWHN's policies regarding charity care or will adopt other policies that are at least as favorable to the community as GWHN's current policies.

Prospect will bring the strength of its Coordinated Regional Care model (described in more detail in Prospect's testimony) to the service area of GWHN and provide innovation that GWHN could not possibly provide independently. This model will provide opportunities for collaboration among hospitals, physicians and other providers in the region in new value-based purchasing programs offered by payors. From a resource perspective, Prospect's capital commitments and better access to the capital markets will ensure ongoing investment in hospital operations. In addition, the ability to participate with Prospect's other hospitals in group purchasing will create economies of scale. Access to capital, retirement of GWHN's current debt, and pension liabilities assured, will better position the post-closing hospital financially going forward. In simple terms, Prospect's financial strength and health care experience will ensure continued access to care at a local level with the backing of a national health system.

#### **IV. Public Need and Satisfaction of Regulatory Requirements for Approval**

Mr. Contadini has described the due diligence to determine the feasibility to enter into the proposed transaction with Prospect, and to ensure that charitable assets are preserved as required by the Conversion Act (C.G.S. §19a-486 et seq.). In addition, as detailed in our application, the proposed transaction satisfies the requirements for approval by the Office of Health Care Access as set forth in C.G.S. §19a-486d and C.G.S. §19a-639. A brief summary is set forth below:

**A. The Purchaser Has Made a Commitment to Provide Health Care to the Uninsured and the Underinsured (C.G.S. §19a-486d(a)(1)).**

As set forth above, Prospect has agreed to ensure that the post-closing hospital will maintain and adhere to GWHN's current policies regarding charity and indigent care or adopt other policies that are at least as favorable to the community as GWHN's current policies. Health care for the uninsured and underinsured in our community will continue and access to care for our neediest populations will be preserved.

**B. Health Care Providers or Insurers Will Not Be Offered the Opportunity to Invest or Own an Interest in the Purchase or Entity Related to the Purchaser (C.G.S. §19a-486d(a)(2)).**

No health care provider or insurer will be offered the opportunity to invest or own an interest in Prospect or any Prospect affiliate as part of this transaction.

**C. The Proposed Transaction is Consistent With Applicable Policies and Standards adopted in Regulations by the Department of Public Health (C.G.S. §19a-639(a)(1)).**

The Office of Health Care Access has not yet completed the regulations. However, it has adopted various procedural standards (Connecticut Agencies Regulations §§19a-613-1 through 19a-653-4) and has issued an informational Certificate of Need Application Guide. The Applicants have responded to all requests for information and have worked to ensure that all procedural requirements have been fulfilled.

**D. The Proposed Transaction is Consistent with the Overall Goals of the Statewide Health Care Facilities and Service Plan (C.G.S. §19a-639(a)(2)).**

The Office of Health Care Access first published its Statewide Health Care Facilities and Services Plan (the "Plan") in October 2012 and supplemented it in 2014. Section 1.4 of the Guiding Principle of the Plan states: "The goal of [the Office of Health Care Access]'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 Plan specifically acknowledges that hospital merges, affiliation and acquisitions are anticipated as a response to major changes in the way health care is delivered and financed. (Plan at pp. 7-8, Sec. 1.8.5)

The proposed affiliation with Prospect will enable GWHN to benefit from economies of scale when purchasing supplies and services, share best practices, and improve access to capital. This will allow GWHN to make capital investments and reinvestment in its facilities, equipment, and in medical and information technology. These investments will in turn allow GWHN to attract and retain physicians and providers needed to serve its communities. All of this will ensure continued access to primary care, acute care and post-acute care in the communities currently served by GWHN and, as such, is consistent with the overall goals of the Statewide Health Care Facilities and Service Plan.

**E. There is a Clear Public Need for the Proposed Transaction ((C.G.S. §19a-639(a)(3)).**

Waterbury Hospital is a “safety net” hospital. It serves a critical role in the community’s health care. In 2015:

- 12,000 individuals were treated at Waterbury Hospital as inpatients;
- 180,000 individuals were treated on an outpatient basis;
- 134,000 patient visits to community-based physicians employed by Alliance Medical Group and Cardiology Associates of Greater Waterbury ;
- Almost 2,300 patients were cared for at home by the VNA;
- 150,000 patients were treated at Access Rehab Centers; and
- The emergency department treated 54,000 patients, including a large number of patients in need of urgent behavioral health services.

It is clear from the statistics that GWHN serves a critical need in the community. The proposed transaction will ensure that this need continues to be met and that services remain available in the local community.

**F. The Proposed Transaction is Financially Feasible (C.G.S. §19a-639(a)(4)).**

The Proposed Transaction will result in a stronger and more financially secure GWHN. The purchase price to be paid by Prospect will permit GWHN to pay its debts, including its outstanding bonds. Prospect will also assume GWHN’s pension liabilities. This, combined with economies of scale and purchasing power as part of a broader network, will better position GWHN to handle the new regulatory and financial reality for community hospitals today.

In addition, Prospect’s capital commitments will permit significant capital improvements over the next several years to the infrastructure of the hospital. Further, implementation of Prospect’s Coordinated Regional Care model will offer GWHN facilities access to resources, systems and efficiencies

which are essential for long term success in the evolving health care marketplace.

As Prospect will testify in more detail, Prospect is financially stable and prepared to commit to continued care in the GWHN community.

**G. The Proposed Transaction Will Improve Quality, Accessibility and Cost Effectiveness of Health Care Delivery to the Region, Including for Medicaid Recipients and Indigent Persons (C.G.S. §19a-639(a)(5)).**

As detailed in the application, the proposed transaction will ensure continued access to care for the residents of Greater Waterbury. Through implementation of its innovative Coordinated Regional Care model, quality care will be maintained in a cost-effective manner and GWHN will be poised to participate in newly evolving reimbursement models. And because Prospect has committed to continued charity care and to continue participation in Medicaid, Medicaid recipients and indigent persons will be assured of access to needed services.

**H. GWHN's and Prospect's Past and Proposed Provision of Health Care Services to Relevant Patient Populations, Including Medicaid Recipients and Indigent Persons Support Approval of the Transaction (C.G.S. §19a-639(a)(6)).**

Prospect has committed to maintain services for Medicaid recipients and to charity care policies for uninsured and underinsured patients at least as favorable as those currently in place at GWHN. Patient access for all will be maintained and there is no anticipated change in the payor mix as a result of the proposed transaction.

**I. GWHN and Prospect Have Satisfactorily Identified the Population to be Served by the Proposed Project and Satisfactorily Demonstrated that the Identified Population has a need for the Proposed Service (C.G.S. §19a-639(a)(7)) and Have Established Sufficient Utilization Statistics (C.G.S. §19a-639(a)(8)).**

In the application, GWHN and Prospect have identified the population to be served and submitted volume statistics establishing that GWHN serves a significant number of patients each year. Approval of the proposed transaction will ensure that these services remain available to the community.

**J. GWHN and Prospect Have Satisfactorily Demonstrated that the Proposed Transaction Will Not Result in an Unnecessary Duplication of Existing or Approved Health Care Services or Facilities (C.G.S. §19a-639(a)(9)).**

The proposed transaction will preserve existing services and will not establish unnecessary duplication. At this time, no additional services or facilities are planned.

**K. The Proposed Transaction Will Not Reduce Access to Services by Medicaid Recipients or Indigent Persons (C.G.S. §19a-639(a)(10)).**

As referenced above, there are no proposed changes to the current payor mix as a result of this proposed transaction. Services to Medicaid recipients and to indigent persons will be maintained. Charity care will be available on the same, or more favorable, terms as they are currently.

**L. The Proposed Transaction Will Not Negatively Impact the Diversity of Health Care Providers and Patient Choice in the Geographic Region (C.G.S. §19a-639(a)(11)).**

The proposed transaction will not negatively impact the diversity of health care providers and patient choice in Greater Waterbury. Prospect does not currently have operations in Connecticut, so the addition of Prospect to the market will enhance diversity and patient choice.

**M. Consolidation Resulting from the Proposal Will Not Adversely Affect Health Care Costs or Accessibility to Care (C.G.S. §19a-639(a)(12)).**

The proposed transaction will not result in any new consolidation, but will preserve current services. As Prospect implements its Coordinated Regional Care model, patient care will be better coordinated and provided in a cost-efficient manner.

As summarized above and as described in significant detail in the application, the applicable regulatory requirements have been satisfied and we urge the agencies to permit the proposed transaction to proceed.<sup>1</sup>

**V. Conclusion**

Our Board has carefully considered the future of GWHN and believes the reasons to join another system are clear. This affiliation with Prospect will provide needed capital and expertise to allow GWHN to adapt to new health care models of care. Most importantly, it will ensure access to critical health care services to all who reside in Greater Waterbury, including the uninsured and underinsured.

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<sup>1</sup> Because the application in this proceeding was filed before December 1, 2015, the provisions of subsections (d) and (e) of C.G.S. §19a-639 are not applicable, and are not, therefore, addressed here.

**PREFILE TESTIMONY OF  
CARL SHERTER, M.D.**

STATE OF CONNECTICUT  
OFFICE OF THE ATTORNEY GENERAL  
  
AND  
  
DEPARTMENT OF PUBLIC HEALTH  
OFFICE OF HEALTH CARE ACCESS

April 26, 2016

Attorney General Docket No. 15-486-02  
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**PREFILE TESTIMONY OF CARL B. SHERTER, M.D.**

My name is Carl B. Sherter and I am the immediate past Chief of Staff of The Waterbury Hospital. I've been a practicing physician for over 40 years as a Pulmonary & Critical Care Physician at both Waterbury Hospital and Saint Mary's Hospital for most of that time. During the last 13 years, I've also served as the chair of the State of Connecticut's Medicaid Pharmacy & Therapeutics Committee; this is a volunteer position. This committee has saved the State of Connecticut tens of millions of dollars and still provided the most liberal list of medications to Medicaid patients. As a practicing physician and a volunteer on this committee, I see the deep health care needs of our community.

I also serve as a member of the Hospital's Board of Trustees and its finance committee. Since its inception in 2011, I have served on the Transaction Task Force that was charged with examining the Hospital's opportunities with various capital partners. Health care has changed dramatically since I began practicing and even over the five years that we've been looking for a capital partner, there have been significant changes. Under the Affordable Care Act, health care systems will strive to keep patients healthy and avoid hospitalization. This will require a robust system of care, a data driven system with ancillary services that provide the best care available to every patient. Every health care system is starting to build this model. Our chosen partner, Prospect Health, has this system in place and has proven success with this system in multiple states. We will be up and running in months, not years.

Part of my due diligence was to visit the two hospital system in Rhode Island that Prospect acquired about a year ago. We met with their board President, their CEO, their Chief Nursing Officer and 6 physicians who practice in this system. One physician was in private practice, the others were employed. We spent several hours with this group and asked many

questions. They said the best way to sum up the experience was that Prospect was “real and delivered all they promised”. They were practicing accountable care medicine within months and it is working. Patients are happy and get much better care than in the old way of practicing medicine. In Rhode Island, Prospect is eagerly taking on Medicaid patients. Hundreds of physicians signed on over the first year. They like the new model Prospect offers.

This venture will be good for the City of Waterbury. Our population is older than most other Connecticut cities. The poverty rate is over 20%. Our unemployment is over 12%. This venture will help stabilize our city, as the hospitals and the City are the three largest employers.

Waterbury Hospital has provided excellent health care to this community. I am proud of the over 1000 physicians we have trained, many still in our area. We have medical students from all three Connecticut medical schools. I am proud of the nurses, certified aides, respiratory therapists, physician assistants and pharmacists that we have trained. I am proud of the staff of the Hospital for earning numerous awards for quality health care, in spite of the hospital’s financial constraints.

Prospect has met numerous times with the physicians who practice in Waterbury. They have reached out to every physician group and attended the Staff Executive Meeting to report on progress and answer questions. The physicians have asked every question and gotten straight forward answers. They support this venture. Over 300 Waterbury physicians have already signed up for Prospect’s IPA (Independent Physician Association). This demonstrates their support.

After almost 40 years of practice at Waterbury Hospital, I have seen the Hospital struggle as a stand-alone hospital. We have an average physicians’ age of over 59 years. It is getting increasingly difficult to bring young healthcare workers to Waterbury. They want to see a secure future for their practice. They want up to date modern equipment to diagnose and treat their patients. They want a stable future with a capital partner that will help with the economy of scale. They know that the health care delivery model has changed. They want to hit the field running with the proven model that Prospect offers.

The people of Waterbury want excellent health care in their own city. They are a community of family values and support one another. Most of my patients come to my office with family members. They all ask me “Is it going to happen?” I answer “We all hope so”. We need a capital partner to make this happen, and Prospect is an excellent choice.

Respectfully submitted,

Carl B. Sherter, M.D.

**PREFILE TESTIMONY OF  
JAMES MOYLAN**

STATE OF CONNECTICUT  
OFFICE OF THE ATTORNEY GENERAL  
  
AND  
  
DEPARTMENT OF PUBLIC HEALTH  
OFFICE OF HEALTH CARE ACCESS

April 26, 2016

Attorney General Docket No. 15-486-02  
OHCA Docket No.: 15-32017-486  
Greater Waterbury Health Network, Inc.  
Proposed Asset Purchase by Prospect  
Medical Holdings, Inc.

Good Afternoon, I'm James Moylan, the interim Chief Financial Officer of Greater Waterbury Health Network, Inc. (GWHN") and I have worked closely with our President, Darlene Stromstad, our Board Chair, Carl Contadini, and our bankers, Cain Brothers, in the development of the process and structure for resolving GWHN's post closing liabilities and the development of an independent foundation for the net proceeds and certain charitable funds.

In accordance with Connecticut's Conversion Statute, an independent foundation ("Independent Foundation") will be created to receive certain charitable funds and, the net proceeds, if any, of the proposed transaction. An Application for Exemption (Form 1023) will be filed about the time of the closing of the Transaction or shortly thereafter; it will seek recognition as a "Type 1 supporting organization" "public charity". The purposes and drafts of Independent Foundation's constituent documents have been detailed at pages 0041-0043 and 00924-00937, respectively. The transfer of any funds to the Independent Foundation would occur after the receipt of a favorable determination letter from the Internal Revenue Service, and, in the case of funds subject to an approximation or construction action, after a judgment has entered and any appeal period has expired.

**Unrestricted Charitable Funds:**

After all the liabilities of The Waterbury Hospital are satisfied and it is dissolved, an approximation action or construction action, as the case may be, will be required with respect to the unrestricted funds held by the Hospital and the unrestricted income received by the Hospital from trusts held by third parties. These actions regarding the unrestricted assets will determine whether the Independent Foundation will receive the assets and/or income after the Hospital's dissolution or if the assets or income will be paid over to others after the Hospital's dissolution, in order to satisfy the intent and directions of the original donors.

The charitable funds that fall within this category are the following:

- *Unrestricted Income Funds held by The Waterbury Hospital:* Brooker, Forester, Hallden
- *Unrestricted Income Funds held by Third Parties:* Elton, Fulton, Frank Keeling, Jacob Keeling, Lamb, Peck, Poole, W. Easton Smith
- *Unrestricted Income Funds held by Third Parties – with Gift Over Provisions:* Dayton, C. Hellman, R. Hellman, Kirk

**Restricted Charitable Funds:**

An approximation action will also be required with respect to all the restricted funds (including bed funds) held by the Hospital in order to determine whether the Independent Foundation will receive those assets and/or income or whether the assets or income will be paid over to others, in order to satisfy the intent and directions of the original donors. GWHN anticipates filing the approximation action as to the restricted funds with the Connecticut Superior Court promptly after the receipt of a favorable determination letter from the Internal Revenue Service for the Independent Foundation. The approximation action would involve several gifts which, in light of the sale of GWHN’s assets, will no longer be able to achieve their expressly stated purpose. In this action, GWHN will seek a determination that these funds should be transferred to the Independent Foundation so that they can continue to serve their desired charitable purposes as closely as possible to the original charitable intent of the donor. The restricted charitable funds that would be the subject of such actions are:

<ul style="list-style-type: none"> <li>• Anderson 1943 and 1986 Funds</li> <li>• At Risk Kids</li> <li>• Bevans</li> <li>• Blakesley</li> <li>• Chase [used to underwrite the Henry S. Chase Outpatient Center “Chase Clinic”]</li> <li>• Crozier</li> <li>• Fulling</li> <li>• Grad Nurse</li> <li>• Junior League</li> <li>• Sarann B. Kazanjian Memorial Fund [medical and surgical equipment] and Student Nurse Scholarship Fund</li> </ul>	<ul style="list-style-type: none"> <li>• Kingsbury [bed fund]</li> <li>• Mayo</li> <li>• Meigs</li> <li>• Merriman [defray expenses of personnel of Clinical and Pathological Laboratories to attend scientific meetings]</li> <li>• Permanent Bed Fund [bed fund]</li> <li>• Flora S. Page and George W. Smith [bed fund]</li> <li>• Sperry [bed fund]</li> <li>• Stoughton</li> <li>• Various Gifts [bed fund]</li> </ul>
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Certain restricted bed funds are in effect hybrids. They allow excess income over that paid out for the specific beneficiaries (for ex. the residents of Naugatuck as to the Hopkins and Warner Funds) to be used for the General Uses and Purposes of the Hospital. The Hospital intends to use such excess income to pay liabilities after the closing of the proposed transaction. After the liabilities of the Hospital are satisfied and it is dissolved, an approximation action or construction action, as the case may be, will be required with respect to these funds

- Margery K. Hayden (Elizabeth K. Hayden Fund)
- Merrit Heminway (Merrit Heminway Bed Fund)
- Abbie C. Hopkins
- Dwight H. Terry and Martha Terry (The Dwight H. and Martha J. Terry Fund)
- Olive Rogers Warner (The Richard Vincent Warner Memorial Fund)
- Estate of Oscar L. Warner (The Warner Memorial Fund)

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**PREFILE TESTIMONY OF  
VON CROCKETT**

DEPARTMENT OF PUBLIC HEALTH : DOCKET NO. 15-32017-486  
OFFICE OF HEALTH CARE ACCESS :  
 :  
OFFICE OF THE ATTORNEY GENERAL : DOCKET NO. 15-486-02  
 :  
IN RE: GREATER WATERBURY HEALTH :  
NETWORK, INC. – PROPOSED ASSET :  
PURCHASE BY PROSPECT MEDICAL :  
HOLDINGS, INC. : April 26, 2016

**PRE-FILED TESTIMONY OF VON CROCKETT**

**I. Introduction**

My name is Von Crockett and I am the Senior Vice President of Corporate Development at Prospect Medical Holdings, Inc. (“PMH”). I am here today to speak in support of the conversion application (the “Application”) regarding the proposed acquisition of assets of Greater Waterbury Health Network, Inc. (“GWHN”), including The Waterbury Hospital (“Waterbury Hospital”), by PMH. Specifically, I will address how PMH’s operational resources and industry know-how will benefit GWHN.

Professional Background

Prior to my appointment as Senior Vice President of Corporate Development at PMH, I served as the Chief Executive Officer of Southern California Hospital at Culver City from 2009 to 2012. Prior to joining Southern California Hospital at Culver City, I held various positions in the health care industry including, but not limited to, President and Chief Executive Officer of Centinela Hospital Medical Center in Los Angeles, California; System Chief Operating Officer of Centinela Freeman Health System in Los Angeles, California; Chief Operating Officer and then the Chief Executive Officer for Doctors Medical Center San Pablo/Pinole in San Pablo, California;

Chief Financial Officer of Sutter Healthcare in Antioch, California; and Chief Financial Officer of Sharp Chula Vista Medical Center in San Diego, California.

### Summary of PMH's Operations

PMH owns and operates fourteen (14) acute care and behavioral hospitals around the country in various markets. PMH also owns a network of specialty and primary care clinics in each of its regions. Through PMH's medical group segment, PMH manages the provision of physician services to approximately 300,000 patients in Southern California, South Central Texas and Rhode Island through a network of primary care physicians and specialists.

My remarks today will address how PMH's operational resources and strengths are beneficial to GWHN and support the approval of the Application through PMH's (i) quality assurance and performance improvement, (ii) successful track record with healthcare operations; (iii) ability to achieve operational efficiencies; (iv) collaboration with the local board on community insight and needs ("Local Board"); and (v) allocation of resources for building comprehensive networks of care.

## **II. Quality Assurance and Performance Improvement**

PMH is dedicated to providing quality care and is continually aiming to improve quality and performance. PMH strives for the best patient outcomes while maintaining high standards of patient safety. PMH recently modified its Quality Assurance and Performance Improvement (QAPI) oversight over its network of hospitals. Historically, PMH relied on local management and the local advisory boards to provide reports and make requests for resources as necessary with respect to each hospital's QAPI. More recently, PMH hired the following positions at a corporate level:

- A. Chief Quality Officer;
- B. Associate Vice President of Regulatory and Patient Safety.

Additionally, the following roles are in the process of being filled:

- C. East Region VP of Quality and Patient Safety
- D. Corporate AVP of Regulation and Accreditation Programs
- E. Corporate Director of Performance Improvement
- F. Directors of Survey Readiness Teams:
  - i. Clinical Practices
  - ii. Environment of Care and Life Safety
  - iii. In Patient Care

The roles of these new officers (“Corporate Quality Team”) are to interact with local board and local leadership on continuous basis to ensure safety, adherence to regulatory requirements, clinical excellence and patient satisfaction at all PMH hospitals and to closely monitor execution of plans of correction in response to any issue raised in surveys by regulatory authorities responsible for quality. It will also be the responsibility of the Corporate Quality Team and their staffs to identify issues early and communicate them to PMH corporate so that we may address such issues quickly and efficiently. Accordingly, it will be the responsibility of the Corporate Quality Team to marshal corporate resources to address all of the above areas. The collective duties of the Corporate Quality Team are to:

1. Monitor the activity and quality programs at each hospital (including all adopted recommendations by the local advisory boards);
2. Assist in providing necessary resources to implement all quality programs at local hospitals;

3. Assist in providing necessary resources to address corrective action plans in the event that quality goals are not met by the local hospitals;
4. Assist in accreditation survey readiness; and
5. Assist in sharing of best practices among all local hospitals.

The description of the Corporate Quality Program, including an organizational chart, is described in more detail in Exhibit A to my testimony. The CVs of the persons hired for the positions are attached as Exhibit B to my testimony.

At the local level, direct responsibility for the quality programs for each PMH hospital is administered by hospital leadership so that any and all quality issues raised by physicians and/or staff are timely addressed and quickly resolved. Oversight of the local leadership is provided by, and is the responsibility of, PMH's senior management.

The increase in corporate oversight over QAPI resulted from recent surveys at PMH's California hospitals that resulted in Immediate Jeopardy status at two of its hospitals. At Los Angeles Community Hospital, an Immediate Jeopardy status citation was issued by CMS due to physician misconduct. A corrective action plan was submitted and a re-survey was conducted that resulted in the hospital remaining out of compliance for two areas: Nursing Services and Infection Control. A corrective action plan for these two deficiencies has been submitted to CMS and the hospital is awaiting a re-survey for these two deficiencies.

At Southern California Hospital at Culver City, two Immediate Jeopardy citations were issued on account of (i) temperature and humidity issues primarily in the operating rooms; and (ii) sterilization of surgical products. Corrective action plans were submitted and PMH had a resurvey by CMS the week of April 4<sup>th</sup>, 2016 and is awaiting the written results of the re-survey.

OHCA and the AG are in receipt of the Corrective Action Plan for Los Angeles Community Hospital (Responding to Deficiencies Cited as a result of Resurvey Conducted February 16-17, 2016) submitted by PMH.

In response to the Immediate Jeopardy citations, PMH has taken swift action, including but not limited to, increasing its oversight of QAPI at its network of hospitals, as well as retaining a nationally recognized consulting firm to conduct a review of the operations and all policies and procedures in California. Based on the recommendations of the consulting firm, PMH has implemented a number of changes in the policies and procedures as well as the operations of its Southern California Hospitals. The Quality Improvement Plan adopted at Los Angeles Community Hospital and Southern California Hospital at Culver City has been provided hereto as Exhibit C.

PMH has agreed to maintain the respective quality program and goals of Waterbury Hospital for a period following the transaction. PMH is also committed to provide the necessary staff to support such quality programs. Finally, PMH agrees to share the best practices at its other facilities with Waterbury Hospital.

### **III. PMH Has a Successful Track Record**

PMH has measureable success in all of its acquired hospitals. PMH has a successful track record operating fourteen (14) hospitals in different states for close to a decade. Many of these facilities were financially distressed when acquired by PMH. PMH has never abandoned or closed a hospital that it has purchased. PMH's management team has years of experience in operating community hospitals. PMH even purchased a closed hospital in California and re-opened it. PMH's hospital operations were established in August 2007 with the acquisition of Alta Hospitals System, LLC, a system of four community-based hospitals in Southern California with a combined

339 licensed beds. PMH's experience and know-how in operating hospitals, especially hospitals with financial distress at acquisition, will benefit the GWHN community.

In addition to its operational expertise with hospitals, PMH has thirty (30) years' experience operating and supporting independent physician practice associations (IPAs) under risk-based arrangements with payors in California. PMH has successfully engaged insurers and developed partnerships that result in a full range of risk contracts. PMH manages the provision of healthcare services to approximately 260,000 members through its network of over 8,900 primary care physicians and specialists. Its hospitals manage the care of 30,000 capitated Medicaid beneficiaries. This experience allows PMH to bring its process knowledge and experience to build and operate health systems to Connecticut.

PMH has been successful in implementing its Coordinated Regional Care ("CRC") model at all of its hospitals. Successful implementation of CRC has brought coordination of care across its hospitals and all providers in its network and is a key to PMH's operational success. My colleague, Dr. Lew, will speak to the specific elements and the achievements of CRC.

PMH has been successful in embracing health care reform measures. PMH is on the forefront of health care reform measures and has the operational resources to integrate such measures into health systems. To align with health care reform, PMH and its affiliated medical groups and hospitals collaborate closely in partnership with health plans to give patients and their families highly coordinated, personalized care. PMH's experience in embracing health care reform will provide the post-transaction health system the ability to adjust to a rapidly changing healthcare delivery environment and improve care coordination.

PMH's know-how derived from its past and current operational success in health care systems and hospitals across the country will benefit the GWHN community and ensure the sustainability of the health system in the service area.

#### **IV. PMH Will Bring Beneficial Operational Efficiencies to GWHN**

PMH will bring valuable operational efficiencies to the post-transaction health system. PMH hospitals benefit from PMH's years of experience in hospital ownership and PMH's economies of scale. Affiliation with PMH will offer GWHN economies of scale that include: (i) purchasing power, (ii) supply chain benefits, (iii) employee benefits savings, and (iv) streamlined revenue collection, among other value added initiatives that will reduce the cost of operations. As with all of its hospitals and affiliated entities, PMH expects to implement cost and clinical efficiencies over time utilizing a planned and coordinated approach. The cost savings to operations will improve finances and help ensure the sustainability of the post-transaction health system well into the future.

Through PMH's economies of scale, the hospitals will enjoy higher discounts for supplies and drugs as part of a larger organization in the first year. Subsequently, the hospitals will be entitled to discounts and pricing through better compliance with purchasing protocols. It should be noted that by affiliating with a larger organization, the post-transaction health system will benefit from economies of scale due to PMH's overall purchasing power. The post-transaction health system will realize benefits in lower supply costs, drug costs and costs related to consultants.

Additionally, costs to provide fringe benefits will decrease in the first full year of operation because PMH is essentially self-insured for providing benefits. Self-insured benefits save on the profit portion of the premium generally paid to third parties in order to provide fringe benefits to

employees. Furthermore, the operational resources of PMH will be made available to develop and implement strategic plans. Also, revenue collection will be streamlined through PMH's system.

PMH has realized numerous efficiencies at all its hospitals. Examples include the elimination of rental expenses of beds, pumps, ventilators and other equipment by purchasing the items, reduced registry use through proper hiring and management of registry utilization process, development of staffing matrix for all Southern California hospitals and implementation of real-time monitoring of labor standard adherence. PMH has leveraged surgical volumes and practice standardization to reduce implant pricing. PMH has also implemented pharmacy cost reduction strategies such as auto-substitutions and Group Purchase Organization pricing at all hospitals. PMH will bring operational efficiencies to the GWHN system that result in cost savings.

In today's health care landscape, PMH's operational efficiencies are critical to meeting the requirements of health care reform measures. PMH's operational efficiencies are necessary to improving the financial viability of GWHN to ensure the sustainability of the post-transaction health system.

#### **V. PMH's Utilization of a Local Board**

PMH's operational strategy for GWHN includes the use of a Local Board to achieve provider and community insight into health system operations and community needs. Following the closing, Waterbury Hospital will maintain a Local Board made up of nine (9) to twelve (12) members. It is PMH's preference that at least one-third of the Local Board members are physicians and it is expected that GWHN Board members will serve on the Local Board. The CEO of the post-closing hospital will be a member of the Local Board. A more detailed description of the Local Board is found in the Asset Purchase Agreement. The Local Board will advise on community needs and serve as a resource to PMH with respect to the investment of capital,

assisting with maintenance and implementation of a strategic business plan for the hospitals, making recommendations for medical staff credentialing and quality assurance programs as well as assisting with issues relating to accreditation for the hospitals.

Use of a Local Board results in a delivery model which engages the local community and strengthens the health system, and provider and community alignment. PMH's commitment to including these local advisors into operational discussions ensures that the community values are understood and the community needs are recognized.

#### **VI. PMH's Operational Resources Will Aid in Building Comprehensive Networks of Care**

PMH's operational resources, including the proprietary CRC model, will benefit the post-transaction health system by aiding in the integration and expansion of the post-transaction health system's network of providers, as well as its program offerings beyond what can be done by GWHN alone. PMH's operational strategy, as implemented through CRC and other measures, has led to stronger integration with provider affiliates to coordinate care. It has also improved the overall health of the population and enhanced the standard of care for its patients. PMH will implement these operational resources in the GWHN health system.

First, PMH utilizes its operational resources and CRC model to build regional networks with its hospitals and medical groups that contribute to the entire continuum of care. Collaboration with PMH, through the implementation of its CRC model, provides an environment that aligns GWHN's physicians and other providers across the continuum of care, provides access to evidence-based practices to improve quality and patient safety, enhances efficiency through uniform productivity and financial management, and develops integrated information systems. PMH focuses on the management of patients with challenging chronic medical conditions in order

to keep patients well in the most appropriate care setting. By utilizing appropriate care settings and resources and managing chronic care patients, PMH avoids unnecessary, inefficient and duplicative services and reduces medical errors which result in improved quality, efficiency and cost savings. My colleague, Dr. Lew, will discuss the CRC model in more depth and the results it has achieved within PMH operated health systems.

Further, the PMH approach to care coordination through the pursuit of delegated risk-based contracts aligns incentives across all healthcare stakeholders. Through collaboration with healthcare payors, PMH is able to further integrate care delivery among providers and regionalize the health care delivery system in the service area. PMH is also better equipped to more effectively identify patients at risk and build upon existing initiatives. PMH's experience in obtaining these risk-based contracts will benefit the post-transaction health system and provide new incentives for care coordination.

Lastly, PMH has developed and implemented high intensity care management programs that integrate behavioral and physical health capabilities to effectively manage the care of patients with significant co-morbidities in all of its hospitals. PMH will bring this capability to the GWHN system along with other resources to meet health care reform requirements. PMH is committed to succeed in new value-based performance delivery model and has the ability to share best practices among its member hospitals to reduce readmissions. In addition, PMH will work with the medical staff of the hospitals on clinical quality matters to share best practices and establish clinical quality goals and measure progress.

In sum, PMH's operational resources will be beneficial to the post-transaction health system because it will develop regionalized coordinated care systems, enter into risk-based

contracts that promote cost effective quality care and integrate PMH's high intensity care management programs.

## **VII. Conclusion**

PMH's vast operational experience, resources and strategies will greatly benefit the post-transaction health system beyond what GWHN can do today. PMH's successful track record, its ability to achieve operational efficiencies, the use of Local Boards to serve as a resource for community insight, and PMH's ability to build comprehensive networks of care are all examples of PMH's valued added operational expertise. Without experienced operational resources, hospitals cannot meet the increasing burdens required to be competitive in today's healthcare environment. PMH has the strategic and operational ability that will directly benefit GWHN and the community it serves. For all of the foregoing reasons, we respectfully request that the Attorney General and the Department of Public Health division of the Office of Healthcare Access approve this Application.

Thank you for your time and I welcome any questions.

**EXHIBIT “A” TO VON CROCKETT TESTIMONY**

# PMH Corporate Performance Improvement, Quality and Patient Safety Program Proposal (Draft)

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## Introduction

**Philosophy:** To ensure that our patients receive the right care, at the right time, in the right setting, with efficiency and compassion.

**Mission:** Above all, we are committed to quality in all aspects of healthcare delivery, including:

- Striving for the best possible patient outcomes
- Maintaining the highest standards of patient safety
- Acting with integrity at all times
- Promoting open communication
- Collaborating to better serve the healthcare needs of our communities

**Purpose:** The PMH Quality and Patient Safety Program will focus on continuous enhancement of quality and safety for all we serve. Every employee plays a crucial role in ensuring patient, visitor and employee safety. We will work to reconnect quality and patient safety to clinical care thereby promoting high quality, safe, effective and efficient care. Additionally, the program will strive to build a just culture of safety by implementing strategies to reduce medical errors. Reducing risk and ensuring safety requires increased attention to systems that prevent and mitigate errors. The corporate quality and patient safety team will work with hospital to provide appropriate solutions to ensure best practices, resulting in quality patient care and service.

**Goal:** Build corporate and regional structures and processes necessary to become a high reliability organization promoting patient-focused, high quality, safe, compassionate, efficient, and effective care.

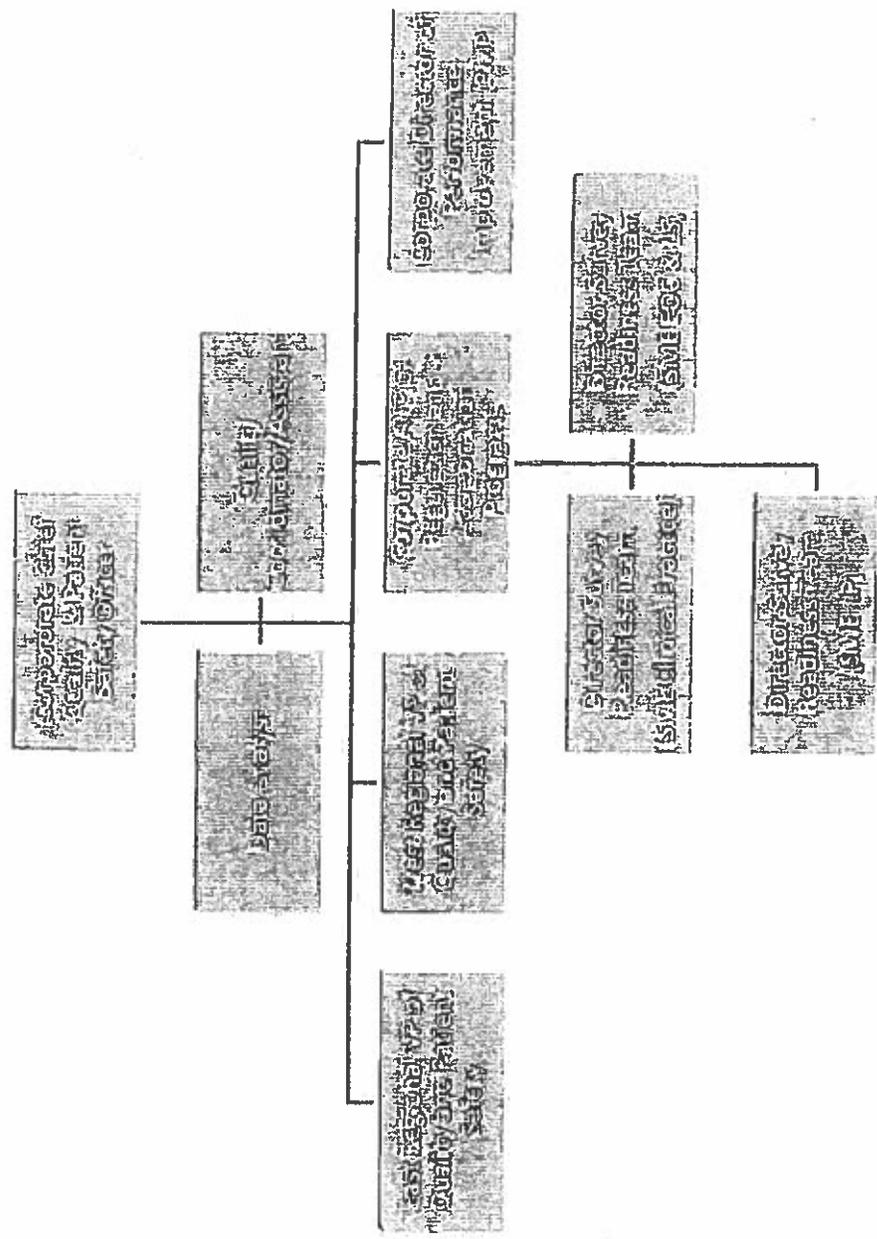
**Model:** We will achieve our mission and purpose through building and sustaining a robust quality and patient safety program at all levels of the organization. The key elements of this program will include: innovation, service, education, transparency, patient and physician partnerships. We will be using the Donabedian Quality of Care Model as our framework for building the program. Our initial focus will be on creating the corporate structure to enhance our ability to build processes and achieve outcomes.



PMH Corporate Performance Improvement,  
Quality and Patient Safety Program Proposal (Draft)

Structure

Corporate and Regional Quality Department Structure



**PMH Corporate Performance Improvement,  
Quality and Patient Safety Program Proposal (Draft)**

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**Roles and Responsibilities**

**Chief Quality Officer** - Provides Oversight to the Corporate Quality and Patient Safety Agenda. Activities may include but are not limited to:

- Collaborates with hospital executives, and engages with hospital leaders and clinicians in identifying and implementing unique and varied initiatives aimed at improving patient care quality and safety
- Leads continuous improvement programs throughout the organization and helps develop a culture of continuous improvement and excellence
- Collaborates with hospital executives and engages with leaders and clinicians throughout the organization to build quality, efficiency, effectiveness and a sense of shared accountability
- Collaborates with hospital executives and engages with leaders to ensure continuous survey readiness.
- Takes a clinical leadership role in evaluating care delivery and develops the infrastructure for improvement
- Strengthens the data and information capabilities of the organization and champions a data-driven environment

**Regional VP of Quality and Patient Safety** – Reports to the CQO.

- Provides regional support and expertise to hospital leadership
- Leads continuous improvement programs in the assigned region and helps develop a culture of continuous improvement and excellence in those regions
- Reviews all regional hospital serious events and assists the hospital leadership in mitigation as appropriate.
- Collaborates with regional hospital executives and engages with leaders and clinicians throughout the organization to build quality, efficiency, effectiveness and a sense of shared accountability
- Collaborates with hospital executives and engages with leaders to ensure continuous survey readiness and sustainment of performance improvement activities
- Strengthens the data and information capabilities at the regional level and champions a data-driven environment

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**Corporate AVP Regulation and Accreditation – Reports to the CQO**

- Provides oversight to all aspects of the Survey Readiness program
- Serves as subject matter expert and hospital resource for regulation and accreditation programs
- Creates, implements, and maintains survey readiness tools that meet federal, state, and local statutes and regulations.
- Ensures survey readiness tools meet the applicable accreditation standards i.e. TJC, DNV, etc.
- Deploys and provides oversight to the survey readiness team during hospital site visits.
- Reviews all survey action plans and provides constructive input prior to submission to the appropriate regulatory or accreditation agency.

**Director Survey Readiness Team – Reports to AVP of Regulatory and Accreditation Programs**

- Serves as a subject matter expert and support person to all hospitals.
- Completes full survey readiness assessments at hospitals and provides recommendations for improvement
- Tracks hospital performance improvement activities based on site visit findings

**Director of Performance Improvement – Reports to CQO**

- Leads and facilitates system and hospital wide strategic quality and safety improvement projects.
- Develops and coaches performance improvement implementation strategies in support of the strategic goals.
- Collaborates with hospital executives, and engages with hospital leaders and clinicians in designing and implementing quality, patient safety and clinical excellence performance improvement activities.
- Leverages complex decision support/data systems to establish operation and quality related metrics to measure progress and sustainability of improvement efforts/initiatives.
- Ensures seamless hand-off of completed improvement initiatives to hospital operations leadership
- Engages with hospital leadership in implementing special initiatives to support the high reliability performance improvement initiatives of PMH as required.

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**Data Analyst - Reports to CQO**

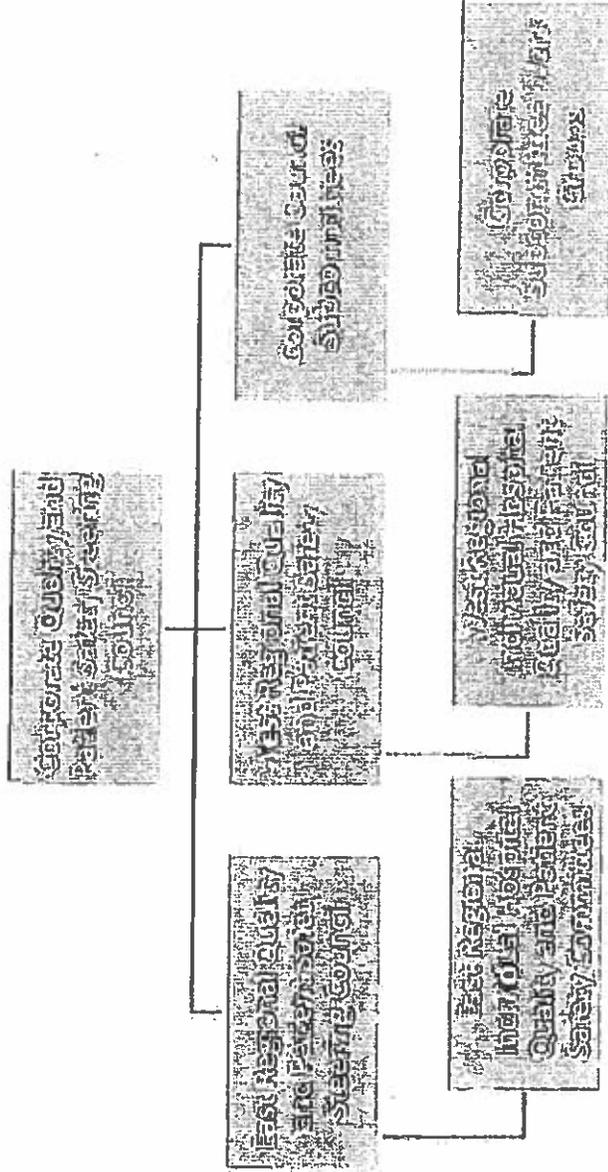
- Interprets data, analyzes results using statistical techniques and provides ongoing quality, patient safety, and clinical effectiveness reports
- Develops and implements data collection systems and other strategies that optimize statistical efficiency and data quality
- Works closely with management to prioritize business and information needs
- Locates and defines new process improvement opportunities
- Prepares tables, charts and graphs to summarize the results of these analyses

**Quality Coordinator/Assistant – Reports to CQO**

- Serves as Administrative Assistant to the Corporate Quality and Patient Safety program
- Assists with gathering quality and patient safety data for analysis

PMH Corporate Performance Improvement,  
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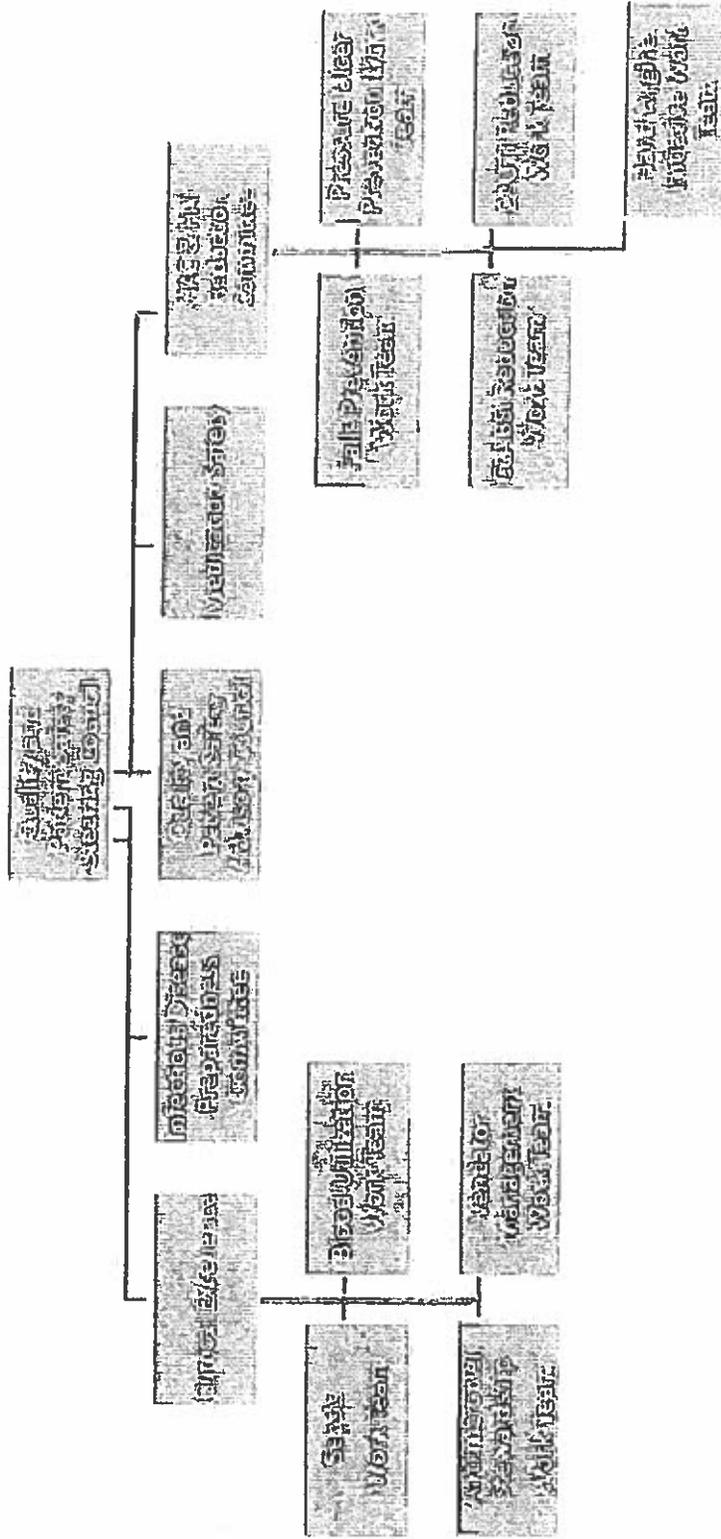
Quality and Patient Safety Communication and Reporting Structure



Note: Hospital Quality and Patient Safety Committees will report up through the appropriate regional steering council which will then report up through the corporate Quality and Patient Safety Steering Council.

PMH Corporate Performance Improvement,  
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Corporate Quality and Patient Safety Steering Council Subcommittee and Work Group Sample Structure



Note: The above diagram outlines potential subcommittees and work groups. The actual infrastructure will be dependent upon the identified needs at the hospital, regional and corporate levels.

**PMH Corporate Performance Improvement,  
Quality and Patient Safety Program Proposal (Draft)**

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**Corporate Quality and Patient Safety Steering Council Roles and Responsibilities**

- Receive reports from and analyze the activities of the regional councils
- Assists with the development of the corporate quality and patient safety strategy
- Prioritizes Quality and Patient Safety activities
- Assist with identification of metrics to be monitored on corporate dashboards.
- Receives and approves reports and activities from chartered committees and work teams
- Engages in identifying ongoing quality and patient safety performance improvement opportunities.
- Ensures follow-up on regional initiative and programs.
- Motivates and strategizes for hospital-based change
- Provides organizational knowledge and a systems approach to quality and patient safety.
- Assist with barrier removal to achieve quality and patient safety strategies.

**Regional Quality and Patient Safety Steering Council Roles and Responsibilities**

- Receive reports from and analyze the activities of the hospital councils
- Assists with the development of the corporate and regional quality and patient safety strategy
- Prioritizes regional quality and patient safety activities
- Assist with identification of metrics to be monitored on corporate dashboards.
- Receives and approves reports and activities from regional chartered committees and work teams
- Engages in identifying ongoing quality and patient safety performance improvement opportunities for the region.
- Ensures follow-up on hospital initiative and programs.
- Motivates and strategizes for hospital-based change
- Provides organizational knowledge and a systems approach to quality and patient safety at the regional level.
- Assist with barrier removal to achieve quality and patient safety strategies.

**PMH Corporate Performance Improvement,  
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**Corporate Steering Council Chair: PMH Chief Quality Officer**

**Suggested Members:** Appropriate Corporate Senior Leadership, Pharmacy Director, Quality Director, Risk Management Director, Legal, CNO, CEO, COO, CMO or Chief of Staff, Infection Control Practitioner, Medical Staff Director, IT&S Director, Supply Chain, others

**Regional Steering Council Chair: TBA**

**Suggested Members:** Pharmacy Director, Quality Director, Risk Management Director, Legal, CNO, CEO, CMO or Chief of Staff, Infection Control Practitioner, IT&S Director, Supply Chain, Ad Hoc Members: Radiology, Lab, Medical Staff, others as appropriate to subject matter

**Committees:** Responsible for building the infrastructure and provide input for key quality and patient safety activities. Potential Committees may include Medication Safety, Clinical Safety Improvement, Infectious Disease Preparedness, Regulation and Accreditation, Clinical Excellence, others as needed.

**Rapid Action Work Groups:** Completes rapid work for quick process and outcome improvement as needed. Examples include Core Measure improvement, HAC prevention, HAI prevention, Clinical Excellence etc. The team is responsible for creating and initiating performance improvement programs to include project plan, key elements, tool kits etc. Teams have a limited life depending upon the work product and outcomes.

PMH Corporate Performance Improvement,  
Quality and Patient Safety Program Proposal (Draft)

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**Process**

**High Reliability Organization:** A high reliability organization is an organization able to continually manages their environment thoughtfully and assume a constant state of vigilance resulting in the fewest possible number of errors, despite operating in a high stress, high-risk environment. Adapting and applying the lessons of this science to health care offer the promise of enabling hospitals to reach levels of quality and safety that are comparable to those of the best high-reliability organizations. These changes will be achieved through:

- Leadership's commitment to achieving zero patient harm
- A fully functional just culture of safety throughout the organization
- Widespread deployment of highly effective process improvement tools

PMH is in the process of adopting high reliability behaviors and strategies to ensure a reduction in overall medical errors for our patients. High reliability organizations are built on a foundation of a just culture of safety. A key component of building this foundation is a robust incident reporting and analysis system to better understand trends, opportunities and strengths. We encourage that every unsafe condition, near miss/great save or harm event be reported and analyzed to identify opportunity for improvement to prevent future harm. We commit to maintaining transparency through sharing best practices and lessons learned across all of our hospitals. We further commit to build and share evidence-based, best practice, and performance improvement processes and tools kits to assist with supporting our quality and patient safety high reliability organization initiatives.

**Strategies:**

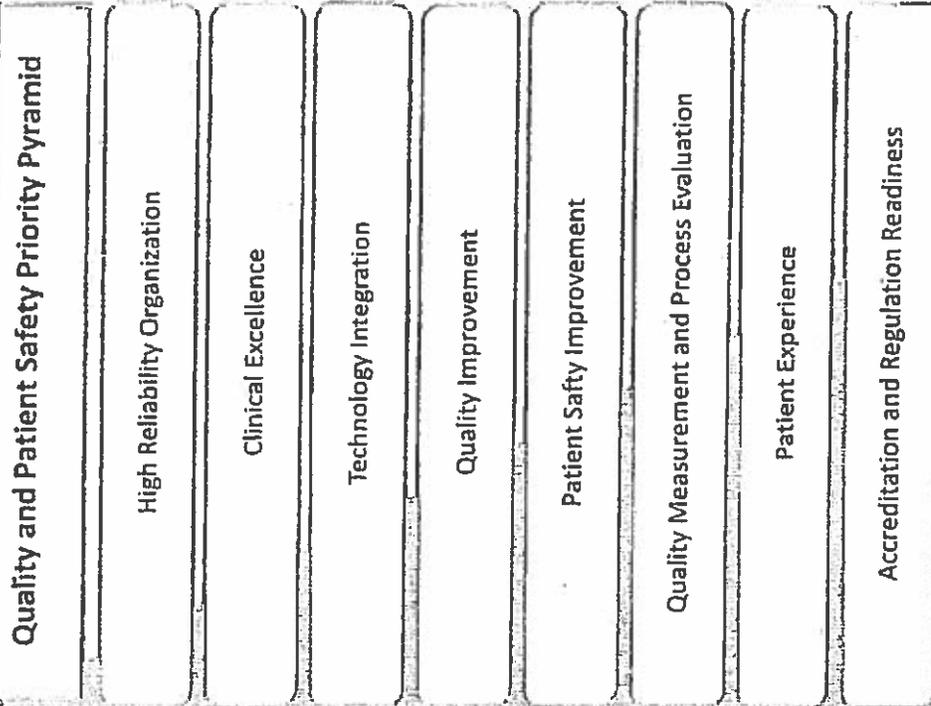
- **Accreditation and Regulation Readiness** – Implement an accreditation and regulation survey readiness team to ensure all hospitals are continually in compliance with the highest level of quality care and patient safety standards as defined by CMS, TJC, DNV, NCOA, and applicable State and local statutes and regulations. Provide subject matter expertise and tools to support the facilities in ongoing survey readiness.
- **Patient Experience** – Create and implement a patient experience program to ensure that each patient is treated with respect, compassion, consideration and is an integral partner in his or her plan of care.

**PMH Corporate Performance Improvement,  
Quality and Patient Safety Program Proposal (Draft)**

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- **Quality Measurement and Process Evaluation** – Build a standardized corporate quality and patient safety dashboard with national benchmarks. Institute monthly Quality and Patient Safety calls to review metrics, analysis and action plans to ensure ongoing improvement
- **Patient Safety Improvement** – Create and implement a plan to move all hospitals towards a just culture of safety and accountability. Ensure quality and safe delivery of healthcare by defining and promoting consistent processes for identifying situations that may put patients or others at risk and acting to prevent or control those risks i.e. thorough and credible analysis of incidents of harm, near misses/great catches; FMEAs; ongoing learning through transparency, and implementation of patient safety tools.
- **Quality Improvement** - Maximize pay-for-performance for quality performance and outcomes metrics including VBP, readmission reduction program, HAC/HAI reduction program, Medicare spending per beneficiary (MSPB), Meaningful Use etc.
- **Technology integration** – Maximize available patient safety technologies including CPOE, health information technology, clinical decision support, bar coding and other technologies to enhance the quality and patient safety strategy.
- **Clinical Excellence** – Improve mortality, complications, and length of stay through implementation of clinical excellence initiatives such as sepsis, stroke and STEMI management; effective blood utilization; ventilator management; and antibiotic stewardship.
- **High Reliability Organization** – Implement proven high reliability techniques and nationally recognized best practices to prevent harm and promote quality of care such as Red Rules (limited), SBAR (Situation, Background, Assessment and Recommendation), and STAR (Stop, Think, Act and Review) etc.

PMH Corporate Performance Improvement,  
Quality and Patient Safety Program Proposal (Draft)



**Note I:** Not all hospitals in the Company will be at the same place in the pyramid. Gap analysis will be completed at each facility to determine progress along the priority pyramid. High performing quality programs may be functioning at a higher level on the priority pyramid than others and will require no interventions. Best practices and performances will be shared across the company.

**Note II:** Many higher level activities will occur in tandem with lower level activities i.e. High Reliability tools will be introduced at every level of the pyramid as appropriate.

**PMH Corporate Performance Improvement,  
Quality and Patient Safety Program Proposal (Draft)**

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**Outcomes**

**Corporate Quality and Patient Safety Dashboard**

Quality, clinical and patient safety performance and outcomes will be measured via the newly created corporate Quality and Patient Safety Dashboard. Dashboards will be shared across the company for the purpose of benchmarking and learning from other.

**Hospital Quality and Patient Safety Call**

Outliers will be addressed during the regularly scheduled hospital quality and patient safety calls. Best practices will be identified and shared with other hospitals in the company during these calls. The hospital will implement performance improvement activities to address the root cause and followed-up will occur during the next call. Once well established, the hospital call will occur at the regional level with a summary report forwarded to the corporate CQO.

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PMH Corporate Performance Improvement,  
Quality and Patient Safety Program Proposal (Draft)

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References

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- Moran, K.M., Harris, I.B., & Valenta, A.L. (2016). Competencies for patient safety and quality improvement: A synthesis of recommendations in influential position papers. *The Joint Commission Journal on Quality and Patient Safety* (42)4, 162-169.

PMH Corporate Performance Improvement,  
Quality and Patient Safety Program Proposal (Draft)

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**EXHIBIT "B" TO VON CROCKETT TESTIMONY**

**DEBBIE BERRY, RN, MSN, LHRM, CPHQ, CPPS, CWCN, CCN**

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**PROFESSIONAL  
EXPERIENCE**

- 4/2015 – Present      **Vice President of Quality and Patient Safety**  
*Gulf Coast Division (GCD) of HCA, Houston, TX*
- Work directly under the GCD Chief Medical Officer to provide oversight for clinical operations and excellence; quality assurance; performance improvement; patient safety, risk prevention and management; infection prevention and control; and medical staff operations for a 13 hospital division.
  - Collaborate with the DCMO to build structure and processes to drive improvement in quality, patient safety and clinical excellence outcomes for the GCD by creating and co-chairing a Quality and Patient Safety Steering Council with subcommittees on Medication Safety, Infectious Disease Preparedness, CVAT, Hospital Acquired Conditions/Infection Prevention, and Clinical Excellence.
  - Collaborated with the DCMO to build the quality and patient safety strategic plan for 2016 – 2018 that will maximize Value Based Purchasing and other pay-for-performance opportunities; as well as, lead to improved clinical and quality outcomes.
  - Provide oversight for Quality and Clinical Operations data mining and analysis for division and facility opportunities.
  - Developed and implemented performance improvement strategies and tactics leading to a 25% reduction in catheter associated urinary tract infections, 30% decrease in time to pain management for long bone fractures and a 32% improvement in Outpatient Stroke measures.
  - Designed and implemented a Leapfrog “Getting to A” initiative that led to a division average score of “C” to a division average score of “B” and includes a division-wide IRR and validation process.
  - Collaborate with the CMO and Performance Improvement team to drive an 11% improvement in sepsis mortality through improving sepsis bundle

compliance by 60%, an 11% improvement in blood utilization, and sustained improvements in 4 of 5 Cardiovascular PCI indicators.

4/2013 -  
4/2015

**Assistant Vice President of Quality and Clinical Operations**

*West Florida Division (WFD) of HCA, TAMPA, FL*

- Work directly under the WFD VP of Quality and Clinical Operations to provide oversight for clinical operations and excellence; quality assurance; performance improvement; patient safety, risk prevention and management; infection prevention and control; and medical staff operations for a 16 hospital division.
- Provide oversight for many of the day to day operations of the Quality and Clinical Operations Department
- Provide oversight to all regulatory and accreditation activities in the 16 hospitals in the WFD of HCA.
- Created a Sentinel Event Webinar preparation program that has led to 100% acceptance of plans of correction and successful completion of measures of success for the past four years.
- Completed due diligence from a quality, patient safety, infection prevention, nursing operations and medical staff perspective for 4 hospitals under consideration for acquisition.
- Provided on-site facilitation for 5 newly acquired facilities to successfully transition to corporate standards and achieve 100% Joint Commission and CMS accreditations within 120 days of acquisition.
- Responsible for successful credentialing and privileging of 100% of the Medical Staff in new WFD facilities.
- Created a multilevel tracking system that enables a 30 day transition of Medical Staff from a closing facility to the closest HCA facility.
- Co-designed and implemented performance improvement "Key Elements" strategies leading to a 60% reduction in hospital acquired conditions in 4 years.
- Participated in the design of the WFD centralized claims management process.
- Co-designed and implemented a Core Measures Playbook II with gap analysis and tool kit leading to 13 of 16 WFD hospitals awarded Top Performers on Key Quality Indicators® by the Joint Commission for 2013.
- Assumed the Severe Sepsis project management in March 2012 leading to a decrease mortality rate from 42% to 32% and ALOS from 12 days to 9.5 days.
- Co-designed a Dependent Healthcare Provider Scope of Service and evaluation program which has been adopted by HCA Corporate.
- Created and provide oversight for the Quality and Patient Safety Leadership Orientation Program.

- Provide oversight for Quality and Clinical Operations data analysis and data presentation.

2/2011 –  
4/2013

**Director of Regulatory and Accreditation Programs**

*West Florida Division of HCA, Tampa, FL*

- Worked directly under the WFD VP of Quality and Clinical Operations; serves as the Division expert on regulation, accreditation, clinical practice and risk prevention and management.
- Provided oversight to all regulatory and accreditation activities in the 16 hospitals in the WFD of HCA.
- Designed a QRS follow-up program for continuous survey readiness which has led to a decrease in TJC RFIs in the WFD.
- Co-designed a TJC Sentinel Event webinar process which has led to 100% acceptance of WFD hospital action plans and attainment of 100% Measures of Success within the required 4 months.
- Co-designed and implemented performance improvement “Key Elements” strategies leading to a 60% reduction in hospital acquired conditions and never events.
- Co-designed and implemented a Core Measures Playbook leading to 12 of 15 WFD hospitals awarded Top Performers on Key Quality Indicators© by the Joint Commission for 2012.
- Assumed the Severe Sepsis project management in March 2012 leading to a decrease mortality rate from 42% to 35% and ALOS from 12 days to 11 days in one year.

8/2009 –  
2/2011

**Vice President of Quality, Risk Management and Infection Control**

*Northside Hospital, HCA St. Petersburg, FL*

- Provided oversight of all Quality, Performance Improvement, Risk Management, and Infection Control activities for Northside Hospital.
- During tenure significantly improved all Core Measures to the 90th percentile and increased HCAHPS composite score by 4%.
- Redesigned Medical Staff peer review, ongoing professional practice evaluation (OPPE) and focused professional practice evaluation (FPPE) program leading to improved oversight of physician and LIP practice.
- Achieved 90% measure of success compliance in 6 months on all QRS identified opportunities from May 2010 QRS survey.
- Facilitated all Root Cause Analysis and Failure Mode Effects Analysis activities and ensured 100% compliance with designed plans of correction.

- Responsible for presentation and facilitation of analysis of quality and performance improvement data in the Quality and Patient Safety Committee, Medical Executive Committee and Board of Trustees.

10/2007 –  
6/2009

**Assistant Vice President of Clinical Practice**  
Washington Adventist Hospital, Takoma Park, MD

- Provided clinical operation oversight for ED, Critical Care, Medical-Surgical, Telemetry, Women's Services, Surgical Services, and Pharmacy Services.
- Assumed the Interim Chief Nurse Executive role during the 6 month search process.
- Provided leadership for Case Management, Hospitalist Program, and Intensivist Program – decreased hospital LOS by 4% despite a 10% increase in Case Mix Index
- Facilitated the design, implementation and monitoring of a new Neurovascular Surgical Service Line and Stroke Program.
- Designed and implemented the Professional Practice Education Program (PPEP) and other professional practice programs led to a 20% increase in recruitment and retention of nurses
- Redesigned and provided oversight to the Montgomery County Latino Health Care Initiative Nurse-in-Training Program – wrote and was awarded a \$259,000 NSPI grant to support the management of the program for four years.
- Improved customer satisfaction scores by 15 % in key clinical areas
- Assisted in a Pharmacy redesign program leading to a 55% decrease in medication errors reaching the bedside.
- Facilitated the design and implemented a Rapid Medical Evaluation process in the ED which decreased patients leaving without treatment by 30% in the first three months.

5/2005 –  
10/2007

**Internal Consultant/Corporate Manager, Resource Management and Performance Improvement Department**

*MedStar Health, Lutherville, MD (Seven hospital Healthcare System)*

- MedStar Visiting Nurses Association (VNA) Error Reduction Project
- Decreased service batch errors by 50% in 6 months
- Decreased Medicare Revenue held by fatal billing errors from \$2,687,806 to \$1,248,860 in 6 months.

- Served as a clinical consultant to Corporate Supply Chain. Designed a 3- year corporate bed fleet replacement program leading to \$400,000 in contract savings.
- Facilitator for System-wide Performance Improvement Task Forces that all led to decrease in mortality, morbidity, LOS and 30-day readmission rates including initiatives in Surviving Sepsis Campaign, pressure ulcer prevention, glycemic control, heart failure, and culture of safety.
- Redesign Projects leading to improved efficiency, improved revenue capture, decrease in length of stay and decreased wait times and improved customer satisfaction
  - Franklin Square Hospital Center-- Preadmission Testing
  - Georgetown University Hospital – Case Management Department, Wound Center and Ankle and Foot Center
  - Good Samaritan Hospital – Heart Care Unit and Patient Flow initiative.

10/1999 –  
5/2005

**Clinical Nurse and Case Management Specialist, Medicine Service Line**  
*Franklin Square Hospital, MedStar Health, Baltimore, MD*

- Served as a clinical consultant to Corporate Supply Chain. Designed a 3- year corporate bed fleet replacement program leading to \$400,000 in contract savings.
- Partnered with physicians to design and implement protocols, guidelines and outcomes measurement for multiple disease entities.
- Provided supervision for all educators and clinical specialists in the Medicine Service Line.
- Planned, implemented and sustained multiple evidence-based, performance improvement programs across the Medicine Service Line.
- Designed and implemented care coordination rounds on all units resulting in a 10% decrease in length of stay.
- Implemented the DRG Assurance Program maximizing coding for complexity of care leading to a 20% increase in CMI in one year.
- Achievements:
  - Delmarva Medicare Excellence Award for three areas of responsibility: CHF, MI, and Pneumonia
  - Solucient 100 recognition for Heart Failure, MI and Pneumonia
  - Achieved recognition in US News & World Report Top 100 Hospitals for cardiology and endocrinology.

4/1998 –

**Clinical Liaison Nurse, Corporate Materials Management**

- 10/1999 *MedStar Health, Baltimore, MD*
- Served as clinical expert and liaison for all corporate contracts
  - Served as medical and OR product consensus builder leading to over \$1.5 million in systems savings in 18 months.
  - Coordinated all new product implementations across the system.
- 3/1985 – **Nurse Director/Nurse Educator/Staff Nurse/Home Care Case Manager**  
4/1998 *Church Hospital, MedStar Health, Baltimore, MD*
- Provided Critical Care, Home Care and Medical-Surgical clinical practice, management and education
  - Served as member and chairperson on multiple quality, patient safety and performance improvement committees.
- 9/1988 – **Adjunct Faculty Villa Julie College and Community College of Baltimore County**  
5/2009 *Baltimore, MD*
- 10/1981 – **Cardiac Rehabilitation Nurse/ICU Staff Nurse**  
3/1985 *Greater Baltimore Medical Center, Baltimore, MD*
- 6/1980 – **Telemetry Nurse**  
10/1981 *Wheeling Hospital, Wheeling, WV*

## EDUCATION

- 2015 – **Doctoral Student in Nursing Practice** *Capella University, Minneapolis, MN*
- 2003 – 2005 **Masters of Science in Nursing** *University of Phoenix, Phoenix, AZ*
- 1985 – 1987 **Masters of Science in Instructional Technology** *Towson University, Towson, MD*
- 1976 – 1980 **Bachelors of Science in Nursing** *Wheeling Jesuit College, Wheeling, WV*

## LICENSES AND CERTIFICATIONS

- Licensed Registered Nurse (RN) Florida and Texas
- Licensed Healthcare Risk Manager (LHRM) Florida
- Certified Professional in Health Care Quality (CPHQ)
- Certified Professional in Patient Safety (CPPS)

- Certified Wound Care (CWCN)
- Certified Continence Nurse (CCN)

## **PUBLICATIONS**

### *Author/Co-Author*

- Hospital Readmission Prevention in Lippincott's Nursing Advisor (2015 in publication). Philadelphia: Wolters Kluwer/Lippincott, Williams & Wilkins.
- Core Measures in Lippincott's Nursing Advisor (2015, 2016). Philadelphia: Wolters Kluwer/Lippincott, Williams & Wilkins.
- Unethical Practices: Recognizing and Reporting in Lippincott's Nursing Advisor (2014). Philadelphia: Wolters Kluwer/Lippincott, Williams & Wilkins.
- Lippincott's CE Module - Mandatory Education, Hospital: National Patient Safety Goals (2013). Philadelphia: Wolters Kluwer/Lippincott, Williams & Wilkins.
- Lippincott's Nursing Advisor Core Measure Content Set for AMI and Heart Failure (2013). Philadelphia: Wolters Kluwer/Lippincott, Williams & Wilkins.
- Bahner, J, Berry, D, & Hooker, J. Nursing Leadership for Safety (Section XIV, Chapter 5) in Patient Safety in Emergency Medicine (2008), Philadelphia: Wolters Kluwer/Lippincott, Williams & Wilkins.

### *Contributor/Reviewer*

- Sentinel Events in Lippincott's Nursing Advisor (2015). Philadelphia: Wolters Kluwer/Lippincott, Williams & Wilkins.
- Lippincott Nursing Procedures & Skills (2010, 2011, 2012, 2013, & 2014 versions). Wolters Kluwer/ Lippincott, Williams & Wilkins.
- Lippincott Patient Safety Program: Communication Among Caregivers and Restraints (2013). Wolters Kluwer/ Lippincott, Williams & Wilkins.
- Preceptor Preparation Program: Web based interactive e-learning course (2012). Wolters Kluwer/ Lippincott, Williams & Wilkins.

## **AWARDS, HONORS and Professional Activities**

- Member of the National Advisory Board for Strayer University RN to BSN program
- Subject matter expert for quality, patient safety and risk management for Rasmussen University
- Subject matter expert for Core Measures for Lippincott, Williams and Wilkins publishing company.
- Alpha Sigma Nu (National Jesuit Honor Society)

- Sigma Theta Tau (International Nursing Honor Society)
- 2003 Nurse of the Year in a Clinical Support Role, Franklin Square Hospital
- 2004 Excellence in Care Coordination Leadership Award, Franklin Square Hospital

## **PRESENTATIONS**

- **2012 FAHQ Annual Conference: *Sustained Zero HAPU: Northside Hospital's Journey***
- **2007 SAWC Conference Poster Presentation: *The design and early implementation of pressure ulcer prevention strategies in a large health care system***
- **2007 MedStar Surviving Sepsis Initiative featured in Maryland Patient Safety Center and MHEI Director of Process Improvement Projects**
- **2005 Care Science National Conference: *Using Risk Adjusted Data to Evaluate Performance and Drive Change***
- **2005 Delmarva Courage to Improve Conference: *Establishing Core Measure Compliance***

**Thedosia L. Munford, MBA, MS, BSN, RN, NEA-BC**



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**SUMMARY OF QUALIFICATION:** Thirty years of diversified acute health care experience and accomplishments in positions of progressive managerial and executive responsibilities. Extensive involvement in organization redesign, renovation and restructuring; cost reduction; fiscal management; human resource management and development; project management; organizational transition; organization preparation for ANCC magnet designation and direction of clinical departments. Accomplishments include:

- Development and implementation of patient focus delivery systems
- Clinical lead for inpatient and outpatient units, ED renovations and construction
- Participated in building of new bed tower
- Facilitated throughput teams to expedite patient flow and decrease LOS by 16%
- Increased Emergency Department (NPS) patient satisfaction in an inner city hospital by 41%
- Decreased RN vacancy rate by 22%
- Exceeded goal for pressure ulcer rate by 44%
- Eliminated use of restraints in medical/surgical units and exceeded goal for decrease use in critical care by 69%
- Other quality matrix accomplishments included meeting and exceeding goals for hand washing, pneumococcal vaccine and influenza vaccine
- Achievement of TJC accreditation and licensure
- Implementation of management development program
- Labor management/union negotiations
- Patient care unit construction redesign for patient-centered care, and patient flow
- Preparation and management of annual budget in excess of \$44 million
- Decreased use on incremental overtime by 60%
- Decreased use of external agency nurses by 50%
- Achieved productivity standards for staffing
- Organization development and change management
- Work redesign
- Reduced OR room turnover time down to <30 minutes

**PROFESSIONAL EXPERIENCE AND ACHIEVEMENTS**

**HealthLinx Transitional Leadership**

**2014-2015**

A division of HealthLinx Executive Search, Inc. a healthcare-exclusive consulting and search firm specializing in i) leadership assessment, project management and consulting; ii) the identification and recruitment of permanent management and executive healthcare candidates; and iii) the placement, assistance, and management of transitional leaders.

- **Transitional Leader -December 2014-April 2015**  
**Interim Director Professional Practice and Nursing Development (December 2014-April 2015)**  
**Mount Carmel East Hospital, Columbus Ohio**
- As a transitional leader, deliverables included i) validate the recently developed on-boarding plan and provide opportunity for improvement with particular focus on new graduate nurses, medical/surgical, critical care and Emergency Department nurses; ii) assess Clinical Education Department, resource allocation, clinical education staff competency and staff competency assessment model for the Hospital; and iii) assess Shared Governance Model with particular

focus on practice council, support structure and current functioning. Selected accomplishments included,

**Ascension Health System**

**2006-2013**

A national healthcare provider in more than 400 locations in 29 states and District of Columbia rooted in the loving ministry of Jesus as healer and is committed to serving all persons with special attention to those who are poor and vulnerable.

- **Senior Vice President Patient Care Services/CNO (2010-2013)**  
**Providence Hospital, Washington DC**  
A 408 bed teaching hospital with ADC of 200 inpatients and 40 behavioral health inpatients, offering medical graduate teaching and serving as a rotational site for domestic and international nursing students. Located in northeast District of Columbia with an average of 45,000 ED visits annually. Other specialties include Diabetes, Certified Stroke Center, Bariatric Services and Wellness Programs, Cardiology, Orthopedics, Sleep Wellness and Geriatric Medicine. As SVP/CNO, reported to president/CEO. Responsibilities included management of total operating budget of >\$47 million, staff of >600 FTEs, re-design of throughput processes for main hospital portals (IP and OP surgery, and ED), implemented mid-level leadership development and performance standards for accountability. Selected accomplishments included:
  - decreased RN vacancy rate from >9% to 7%
  - decreased LOS from >5 to 4.2 days
  - eliminated use of agency RNs by 50%
  - decreased ED patient throughput by 30%
  - increased ED patient satisfaction from 32% to 54%
  
- **Vice President, Inpatient Services (2006-2010)**  
**Saint Agnes Hospital, Baltimore, Maryland**  
A 296 bed full service teaching hospital with residency program and student nurse rotation serving the greater Baltimore area, located in southwest Baltimore serving diverse communities, with ED visits >82,000. Clinical areas of specialties include Cancer Care, Metabolic, Cardiovascular, Women's & Children's Health, Orthopedic & Spine, Plastic & Reconstructive Surgeries, Stroke, Chest Pain Emergency Program. As VP, reported to senior vice president/CNE. Responsibilities included management of inpatient medical/surgical and critical care units, Nursing Operations (House Supervisors, staff float pool, Nursing Office), Care Management, Nursing Education and Development, management of operating budget of >\$25 million, and staff of >200 FTEs, and nursing shared decision making and professional development programs. Selected accomplishments included;
  - decreased LOS from 4.49FYTD July 2008 to 3.95 FYTD May 2010
  - developed and implemented RN Professional Clinical Ladder Program
  - facilitated implementation of nursing leadership academy
  - facilitated strategies in preparation of ANCC magnet designation
  - facilitated nursing clinical research with the first NRB approved nursing research study

**Senior Director of Nursing**

**2003-2006**

**Mercy Medical Center, Baltimore, Maryland**

A 299 bed teaching ANCC Magnet Designated Hospital located in downtown Baltimore with ED visits >62,000 annually. Clinical specialties include Cancer Care, Diabetic & Endocrine, Gastroenterology & GI Surgeries, Geriatrics, Gynecology, Nephrology, Orthopedic and Pulmonology. As senior director, reported senior vice president/CNE. Responsibilities included management of inpatient medical/surgical units, inpatient substance abuse unit, and OP Chemotherapy, management of operating budget of >\$10 million and staff of >250 FTEs. Selected accomplishments included:

- developed nursing management and leadership structure of responsibility and accountability
- managed and lead managers through radical change of re-structuring of responsibilities and accountability
- lead coordination, development and implementation of RN clinical ladder for professional practice
- served as interim VP Patient Care Services
- began nursing and organizational preparation for magnet designation

**Director, Patient Care Service**

**1996-2003**

**MedStar Harbor Hospital, Baltimore, Maryland**

A 179 bed community focused hospital located in south Baltimore on Patapsco River with an average of 40,000 ED visits annually. Clinical specialties include Internal Medicine, Orthopedic, Oncology, Sports Medicine, Back & Spine, and Women's Service. Mission is to provide a quality, caring experience for patients, communities and those who serve with a patient centered care philosophy. As director, reported to vice president/CNO. Responsibilities included management of inpatient medical/surgical units, critical care and Women's Health. Selected accomplishments included:

- facilitated transition from traditional patient care delivery to patient centered care model
- clinically designed, planned and implemented several patient centered care units with external construction team
- chaired Human Resource Design work team for MedStar transition for recruitment, selection, orientation and retention
- co-chaired work re-design team for Hospital-wide patient flow from admission to discharge

**ADDITIONAL EXPERIENCES:**

- **Vice President, Patient Care Service**

**1993-1995**

**Greater Southeast Community Hospital, Washington DC**

A 400 bed acute care community hospital located in southeast Washington DC serving Prince George's County Maryland communities and southeast Washington DC. As vice president reported to president/CEO. Responsible for all nursing services with select accomplishments that included

- implementation of position control system
- expansion of home health services which increased visits by 20%
- reduced management positions by 40%

- **Assistant Executive Director**

**1991-1993**

**Howard University Hospital, Washington DC**

A comprehensive and academic teaching hospital located on campus of Howard University in District of Columbia. Level I Trauma Center with average of 60,000 ED visits annually, performing kidney and liver transplants. As assistant executive director, reported to COD and responsible for all nursing services and nurse management team member for labor contract negotiations.

**EDUCATION AND DEVELOPMENT**

- Class of 2010 *The Leadership Program of the Greater Baltimore Corporate*
- MBA, University of Baltimore, Baltimore Maryland
- MS Human Development, Howard University, Washington DC
- BSN, Howard University, Washington DC
- Diploma in Nursing, Freedmen's Hospital School of Nursing, Washington DC

**LICENSURE AND CERTIFICATION**

- RN, District of Columbia #R29886
- RN, Maryland #R128737

- RN, Ohio #RN412755
- NEA-BC #2009013543

CANDICE PETERS, R.N., B.S., MS

EXPERIENCE

KINDRED HEALTH CARE - HOSPITAL DIVISION - WEST REGION - WESTMINSTER, CA.

SENIOR DIRECTOR CLINICAL OPERATIONS (FEB 2009 - CURRENT)

Kindred is an acute long-term hospital caring for catastrophically ill and medically complex patients. Direct Oversight of 7-13 hospitals providing long term acute care (LTAC) in California. Ensured The Joint Commission accreditation for all assigned hospitals; assisted operations support, Quality and Regulator Review (Joint Commission and CMS survey preparation). In 2014 ensured 7 hospitals that were reviewed were re-accredited Joint Commission. Ensured 2 hospitals (2013 and 2015) achieved first time JC Accreditation. Assisted two hospitals successfully through CMS condition out to achieve full conditions. Serves as an active Governing Board member to multiple Kindred hospitals. Able to review and prepare facilities for both Laboratory and Hospital Joint Commission accreditation.

CONVERGENCE HEALTH CONSULTING, INC.

SENIOR CONSULTANT (JULY 2007- FEB 2009)

ANAHEIM MEMORIAL MEDICAL CENTER - INTERIM CONSULTING POSITION AS RISK MANAGER - Interim Risk Manager to develop complaint and grievance process to meet CMS requirements; continued to fill position as the Risk Manager. AMMC was in the process of a sale. In Oct. advanced to Chief Nursing Officer.

KINDRED HEALTH CARE

REGIONAL DIRECTOR CLINICAL OPERATIONS (2004-2007)

Promoted from COO role (see next)

Had direct oversight over 6 hospitals in the West Region. Assisted all 24 facilities in the West Region as needed for operations support, plan implementation, developing plans of correction. Ensured Joint Commission re-accreditation of 3 facilities that experienced a denial of accreditation. Assisted 2 other facilities in Conditional Accreditation to achieve full Joint Commission accreditation. Assisted one hospital in Joint Commission re-accreditation.

KINDRED HOSPITAL ONTARIO

CHIEF OPERATIONS OFFICER (1996 - SEPTEMBER, 2004)

Had responsibility for all clinical areas including Nursing, Pulmonary, Rehabilitation, Dietary, Radiology, Laboratory, Housekeeping, Social Services, Surgery, Infection Control, Employee Health and Pharmacy.

Chair multiple committees including Quality Council, Policy and Procedure, Employee Activities, Bioethics, Environment of Care, ICU and Medical Records committees. Member of Medical Executive Committee and Governing Board. Served as interim CEO for 8 months until CEO was recruited.

ST. BERNARDINE MEDICAL CENTER, SAN BERNARDINO, CALIFORNIA

*Director Patient Care Services (1989-1996)*

Started as a manager in 1989 for a 17 bed Intensive Care Unit and 12 bed Coronary Care Unit. In 1992 became Director of Nurses, reporting to the Chief Nurse Executive. Areas included ICU/CCU, Telemetry, Intermediate Care, Medical-Surgical Units, Peri-Operative Surgery, Out Patient Surgery Center, Central Supply, Diabetes Health Services, Hemodialysis and Nursing Services. (1994). Included responsibility for 250 FTE's and 10 managers. Chaired Nursing Policy and Procedure Committee. Active on multiple committees, including Quality Council, Medical Staff Committees, such as ICU and Surgery Committees.

QUEEN OF THE VALLEY HOSPITAL, WEST COVINA, CALIFORNIA

*Unit Coordinator, 1981-1989*

Manager for the Intermediate Care Unit, an 18 bed unit with telemetry monitoring. Responsibilities included interviewing, hiring, firing and counseling. Coordinated patient care and other activities. Worked as staff nurse in the same area for the first three years. Also covered House Supervisor Position.

SANTA TERESITA HOSPITAL, DUARTE, CALIFORNIA

*Paramedic Liaison Nurse, 1976-1981*

Worked as staff nurse in the Emergency Department for the first three years. Promoted to Paramedic Liaison Nurse. Created and developed this position based on L.A. County Health Services Guidelines. Coordinated paramedic and mobile intensive nurse (MICN) training.

LIFE FLIGHT OF SOUTHERN CALIFORNIA

*Flight Nurse, Fixed Wing, 1978-1983*

HURON ROAD HOSPITAL, E. CLEVELAND, OHIO

*Circulating and Scrub Nurse, 1974-1976*

EDUCATION

CAL STATE UNIVERSITY, SAN BERNARDINO *Masters of Science in Health Services Administration, 1997*

SOUTHERN ILLINOIS UNIVERSITY, CARBONDALE, INDIANA  
*Bachelor of Science in Health Care Management, 1989*

HURON ROAD HOSPITAL SCHOOL OF NURSING, EAST CLEVELAND, OHIO  
*Diploma, Registered Nurse, 1974*

**EXHIBIT "C" TO VON CROCKETT TESTIMONY**

## Los Angeles Community Hospital 2016 Performance Improvement Plan

Indicator(s)	LACH	LACHN	LACHB	Target or Goal	Rationale For Selection	Function Measured	Numerator / Denominator	Data Source	Reported to	Reporting Frequency
<b>Behavioral Health Unit</b>										
<b>BHU - Nursing</b>										
1. AMA				2%	1,2,5,7	AMA/AWOL	# AMA/AWOL / #DC	AMA/DC Log	UR/QC, MEC, GB	Data by month – Reported minimum of Quarterly
2 Restraints				20%	1,2,3,5,7	Providing alternate intervention before restraint application Prevention of fall, fall assessment, fall with and without injury	# Restraint/month	Restraint Log monthly	UR, QC, MEC, GB	Data by month – Reported minimum of Quarterly
3. Falls				0%	1,3,4,7		# Fall	Incident reports	UR, QC, MEC, GB	Data by month – reported minimum of Quarterly
4. Crash Cart				100%	1,7	Crash Carts equipment checked nt and availability of non-expired medical supplies	# of crash cart checks/ # days in a month	Crash carts monthly check log	UR, QC, MEC, GB	Data by monthly – reported minimum of Quarterly
5. Hand Hygiene				100%	1,3,4,7	Hand Hygiene by hand washing and or alcohol	/ # of complaints / # HH observed	HH monitoring tools monthly	UR, QC, MEC, GB	Data by monthly – reported minimum of Quarterly
6. Effectiveness of Pain Management				100%	1,2,3,4,5,6,7	Pre and post pain assessment documentation	<ul style="list-style-type: none"> <li>Pre Pain assessment/ # pain meds</li> <li>Effectiveness of pain management / # pain medication administered</li> </ul>	Medical Record Review	UR, QC, MEC, GB	Data by monthly – reported minimum of Quarterly
<b>Dietary</b>										
1. RD timeliness				98	7	Providing practitioner specific data	#initial assessments, follow ups, calorie counts, consults done by deadline/# total patients due	RD productivity log/EMR	QC	Data by Month – Reported Minimum of Quarterly
2. PO intake of meals recorded				90	5	Providing practitioner	#patients with recorded PO intake in EMR/#	RD productivity	QC	Data by Month – Reported Minimum of Quarterly

Indicator(s)	LACH	LACH	LACHB	Target or Goal	Rationale For Selection	Function Measured	Numerator / Denominator	Data Source	Reported to	Reporting Frequency
3. Correct diet order	•	•	•	100	1, 5	specific data Providing practitioner specific data	total patients with oral diet # diets ordered correctly (diets ordered from approved list, diets discontinued, etc.)/total # of patients seen	log/EMR RD productivity log/EMR	QC	Quarterly Data by Month – Reported Minimum of Quarterly
4. RD recommendations taken within 48 hrs. – (LACH/NCH)	•	•	•	70	1, 5, 7	Providing practitioner specific data	#nutrition recommendations taken within 48 hours/total # of recommendations made	RD productivity log/EMR	QC	Data by Month – Reported Minimum of Quarterly
5. Actual weight obtained at admit – (LACH/NCH)	•	•	•	75	1, 5	Quality assurance	#accurate weights obtained at admit/total # of patients seen	RD productivity log/EMR	QC, CNC	Data by Month – Reported Minimum of Quarterly
6. Test Trays (include visual presentation, temperature, taste, timeliness)	•	•	•	95	1, 5, 6	Quality assurance	Total points scored/total possible points	Test Tray evaluation log	QC	Data by Month – Reported Minimum of Quarterly
7. Tray Accuracy Analysis – (LACHB)	•	•	•	90	1, 5, 6	Quality assurance	# of accurate trays/total # of tray observed	Tray Accuracy Log	QC	Data by Month – Reported Minimum of Quarterly
<b>Health Information Mgmt.</b>										
1. Medical Records Delinquency				50%	7	EHR System Monthly Delinquent Numbers	Total Number of Incomplete Medical Records Over 14 days from discharge/visit / Total Number of Inpatient Discharges, Total Number of Outpatient Surgeries, Total Number of ED Visits	EHR System (H&P)	Quality Management Committee, Medical Executive Committee, Governing Board Committee	Monthly/Quarterly
2. Inpatient H&P completed within 24 hours of admission				100%	1, 2, 5, 7	Check every inpatient chart	Total number of H&P not completed within 24 hrs / Total number of admissions	EHR System (H&P)	Quality Management Committee, Medical Executive Committee, Governing Board Committee	Monthly/Quarterly

Indicator(s)	LACH	NCH	LACHB	Target or Goal	Rationale For Selection	Function Measured	Numerator / Denominator	Data Source	Reported to	Reporting Frequency
3. Valid H&P completed within 24 hours prior to surgery.				100%	1, 2, 5, 7	Check every OPS chart	Total number of H&P not completed prior to surgery / Total number of OPS	EHR System (HPF)	Quality Management Committee, Medical Executive Committee, Governing Board Committee	Monthly/Quarterly
4. Psychiatric Evaluation completed within 24 hours of admission				100%	1, 2, 5, 7	Check every inpatient chart	Total number of PE not completed within 24 hrs / Total number of admissions	EHR System (HPF)	Quality Management Committee, Medical Executive Committee, Governing Board Committee	Monthly/Quarterly
<b>Human Resources</b>										
1. Licensure/Certification	•	•	•	100%	1, 7	Provide Mgmt. with specific data	#of lic/cert compliance/#of lic/cert due for the month	HR Database	QC, GB	Data by Month – Reported Minimum of Quarterly
2. Performance Evaluations	•	•	•	90%	5, 7	Provide Mgmt. with specific data	#of evals completed/#of evals due	HR Database	QC, GB	Data by Month – Reported Minimum of Quarterly
3. General Orientation Compliance	•	•	•	100%	7	Provide Mgmt. with specific data	#of attendees/#of new hires for the month	HR Database	QC, GB	Data by Month – Reported Minimum of Quarterly
4. Annual Competency	•	•	•	90%	1, 7	Provide Mgmt. with specific data	#of competency completed/#of competencies due	HR Database	QC, GB	Data by Month – Reported Minimum of Quarterly
5. Annual Health Questionnaire	•	•	•	95%	1, 7	Provide Mgmt with specific data	# of questionnaire due/#of questionnaire completed	HR Database	QC, GB	Data by Month – Reported Minimum of Quarterly
<b>Infection Control</b>										
1. Invasive Devices	•	•	•	100%	3, 5, 7	Central line blood stream infections	Numerator: All CLBSI cases in all ICU.s in the organization. Denominator: # of central line days in all ICU.s	ICU Log book	P&T, QC, MEC.	Data by Month – Reported Minimum of Quarterly

Indicator(s)	LACH	NCH	LACHB	Target or Goal	Rationale For Selection	Function Measured	Numerator / Denominator	Data Source	Reported to	Reporting Frequency
2. Hospital acquired MRSA laboratory confirmed blood stream infections.	•	•		100%	3,5,7	Positive blood culture after 48 hours of admission	Numerator: # of hospital acquired MRSA laboratory confirmed Denominator: Total number of patient days	Daily laboratory results	P&T, QC, MEC	Data by Month – Reported Minimum of Quarterly
3. C. difficile	•	•		100%	3,5,7	All positive cultures after 48 hour of admission	Numerator: Laboratory confirmed positive cultures. Denominator: Total number of patients days	Daily laboratory results	P&T, QC, MEC	Data by Month- Reported Minimum of Quarterly
4. Prevalence Rate	•	•		100%	3,5,7	Final Surveillance	Numerator: # of hospital acquired infections. Denominator: # of patient days	Daily surveillance- activities	P&T, QC MEC	Data by Month- Reported Minimum of Quarterly
5. Reportable Conditions	•	•		100%	1,3,5,7	Daily surveillance	Numerator: # of patients admitted with reportable conditions	Daily surveillance	P&T, QC, MEC	Data by Month- Reported Minimum of Quarterly
<b>Laboratory</b>	•	•								
1. Turn Around Time Urgent Care- Troponin	•	•		100%	1	2	# test meets criteria/ total test	Lab Data	QA	Q
2. Critical Read back Documentation	•	•		100%	1,3	3	# meets criteria/ # total criticals ( days )	Lab Data	QA	Q
3. % Blood Cultures Not Contaminated	•	•		>97%	1,3,5	5	# non-contaminated blood cultures/ blood cultures drawn	Lab Data	QA	Q
4. Transfusion Services	•	•		Various	1,7	6,7	NA	Lab Data	QA	Q
5. Phlebotomy- Proper Identified or Labeled Specimens	•	•		100%	1	1	# properly identified/ labeled/# specimens	Lab Data	QA	Q
6. Lab Quality Control- Problems Resolved	•	•		100%	1,7	6,9	# days meeting criteria/ # days	Lab Data	QA	Q
7. Proficiency Testing- Transfusion	•	•		100%	1,7	6,10	# meets criteria/ # events	CAP Data	QA	Q
8. Proficiency Testing- Other Lab Test	•	•		>80%	1,7	1,6	# meets criteria/ # events	CAP Data	QA	Q
9. No Significant Variations Between Pathological Findings and Clinical Diagnosis for Surgical	•	•		100%	1,7	2,4	# that correlate/ # cases	Pathology	QA	Q

Indicator(s)	LACH	LACHN	LACHB	Target or Goal	Rationale For Selection	Function Measured	Numerator / Denominator	Data Source	Reported to	Reporting Frequency
Cases										
10. No Pathological Diagnostic Discrepancies	•			100%	1,7	4	# cases that meet/cases reviewed	Pathology	QA	Q
11. Glucose Meter: Documentation of steps taken for Criticals as entered on meter	•			95%	1	3	Totals that meet criteria/ total of critical results	Lab Data Rals	QA	Q
<b>Medical Staff</b>										
1. Proctoring Evaluation completed within 3 months of practitioners' provisional appointment	•			100%	2 (NEW)	Practitioner Proctoring Completion	# Reports Submitted/ # Practitioners due for evaluation	Provisional Appointments Report	QC, MEC, GB	Data by Month – Reported Minimum of Quarterly
2. Ongoing Professional Practice Evaluation at Time of Reappointment/Bi-Annual Evaluation Reports Provided by:	•			100%	5	Obtaining Practitioner – Specific Data	# Reports Submitted/ # Practitioners due for evaluation	Reports received by various departments	QC, MEC, GB	Data by Month – Reported Minimum of Quarterly
• Case Management										
• Infection Control										
• Laboratory										
• Medical Records										
• Pharmacy										
• Quality Management PI										
<b>Nursing</b>										
ER										
1. Patient Throughput	•			10% decrease	Patient Satisfaction	Door to disposition time	Current time/2015 time	ED Logs	QC	Monthly
2. EMTALA	•			100%	Patient/ Organization al Safety	EMTALA Audit Elements	# Elements Achieved/Possible	Patient Chart	QC	Monthly
3. Triage time by RN was 15 minutes after arrival.	•			100%	7, 1	Chart audit	60/60	Medical Record	QC	Monthly
4. MSE Completed by ER Physician 30 minutes after registration.	•			100%	7, 1	Chart audit	60/60	Medical Record	QC	Monthly
5. Patient should be in bed 1 hour after ER MD makes a decision to admit as inpatient.	•			100%	7, 1	Chart audit	60/60	Medical Record	QC	Monthly
ICU										
1. Pain Management	•			100%	Patient Safety	Pain Assessment/	# audit elements achieved/ # possible	30 Patient Records/Mont	QC	Monthly

Indicator(s)	LACH	NCH	LACB	Target or Goal	Rationale For Selection	Function Measured	Numerator / Denominator	Data Source	Reported to	Reporting Frequency
2. Moderate Sedation	•			100%	Patient Safety	Propofol sedation vacation	# daily "sedation vacations"/# days sedated	Patient chart	QC	Reported daily and to Quality Council monthly and to P&T monthly
3. Restraints - physical	•			0%	Patient Safety/Patient Rights	Absence of physical restraints	# physical restraints/# patients	Patient Chart and ICU Log	QC	Daily and to Quality Council monthly
4. Care Plan documented with pre-existing condition i.e. Dialysis patient	•			100%	2,7,1	Chart audit	30/30	Medical Record	QC	Monthly
5. Consent signed for Hemodialysis Prior to treatment	•			100%	2, 7, 1	Chart audit	5/5	Medical Record	QC	Monthly
6. For Septicemia Core Measure patient, Lactic Acid is drawn	•			100%	7, 1	Chart audit	Per # of Septicemia admitted 100%	Medical Record	QC	Monthly
7. For Septicemia Core Measure patient, Blood Culture is obtained prior to administration of IV antibiotics	•			100%	7, 1	1:1 Observation	Per # of Septicemia admitted 100%	Direct Observation	QC	Monthly
Med/Surg/Tele										
1. Medication Administration	•			100%	Patient Safety	Timely administration -- 1 hour before/after scheduled.	# doses given as scheduled/#doses	Patient Chart	QC	Weekly with report to Quality Council monthly
2. Assessment	•			100%	Patient Safety	Assessment completed/doc updated/policy	# completed/# patients	Patient Chart	QC	Weekly with report to Quality Council monthly
3. Care Plans	•			100%	Patient Safety	Care Plan initiated/policy	# initiated/ # patients	Patient Chart	QC	Weekly with report to Quality Council monthly
4. Restraints - Physical	•			100%	Patient Rights	Monitoring elements/policy	# elements achieved/# possible elements	Patient Chart	QC	Daily with report to Quality Council monthly
5. Skin Integrity	•			0%	Patient	Development/p	# adverse alteration	Patient	QC	Weekly with report

Indicator(s)	LACH	LACH	LACHB	Target or Goal	Rationale For Selection	Function Measured	Numerator / Denominator	Data Source	Reported to	Reporting Frequency
6. Care plan documented with pre-existing condition i.e., Dialysis patient				100%	2, 7, 1	Chart audit	30/30	Medical Record	QC	Monthly
7. Consent signed for Hemodialysis prior to treatment				100%	2, 7, 1	Chart audit	5/5	Medical Record	QC	Monthly
8. Pain re-assessment after pain medication administration				100%	2, 7, 1	Chart audit	5/5	Medical Record	QC	Monthly
9. Medication Pass				100%	2, 7, 1	1:1 observation	20/20	Direct Observation	QC	Monthly
Nursing Admin (LACH/NCH/LACHB)										
1. Current Evaluations				90%	Currently less than 20% are completed on time.	Completed and sent to HR by due date.	# on time completed/number to be done	HR evaluation list with due dates.	QC	Monthly
2. Registry Files				100%	Patient safety/regulatory risk	Registry files current/complete for each nurse who works in the hospital	#files completed/standard # staff assigned during 2016	Registry sign-in log in Nursing Administration	QC	Quarterly
3. RN Recruitment/Retention				18%	Patient safety from critical shortages	New Hires and turnover	# Terminations/# of RNs	HR	QC	Quarterly
4. Policy/Procedures Current				100%	Patient Safety	Current date and content	# Nursing departments with current date for review/revision/# of Nursing departments	P&P data base	QC	Quarterly
Pediatrics										
1. Age specific care				100%	Patient Safety/Right	Care matched to developmental	# Developmental age specific care	Patient Chart/Observ	QC	Weekly with report to Quality Council

Indicator(s)	LACH	LACH	LACHB	Target or Goal	Rationale For Selection	Function Measured	Numerator / Denominator	Data Source	Reported to	Reporting Frequency
2. IV Infusion Safe Guards	•			100%	Patient Safety	IV order/administration appropriate	# accurate order/administered IVs/# IVs	Patient Chart/Observation	QC	Weekly with report to Quality Council monthly
<b>Patient Access</b>										
1. EMTALA Log	•			100%	1, 2	LD, PI	Numerator: Total number of patients listed on EMTALA log/Denominator: Total number of patients listed on EMTALA log	EMTALA log	QC	Quarterly
2. Language Line	•			100%	1, 2	RI, PI	Numerator: Total Number of Completed Consent Forms in Patient Preferred Language Denominator: Total Inpatient Registrations	Optimum Registration System	QC	Quarterly
3. IMM: Signed, timed and dated			•	100%	2	RI, PI	Numerator: Correctly completed IMM Forms Denominator: 50 patients	Important Message from Medicate	QC	Monthly
4. Preferred Language Log			•	100%	2	RI, PI	Numerator: Preferred language on the face sheets and consent matching Denominator: 50 patients	Face sheet and Consent forms	QC	Monthly
<b>Pharmacy</b>										
1. Medication Errors	•			<3.8%	Indicator for patient safety measure by pharmacy	Error reporting by pharmacy/ Nursing	Number of reported errors/total # discharges	Pharmacy reports and Nursing reports	Director of Pharmacy, QC, CNO	Daily to Director of Pharmacy, Monthly to QC and CNO
2. Adverse Reaction	•			<0.25%	Indicator for patient safety	Error reporting based on rescue	Number of ADRs/Total discharges	Pharmacy reports and Nursing	Director of pharmacy,	Daily of Director of Pharmacy, Monthly to QC and CNO

Indicator(s)	LACH	NCH	LACHB	Target or Goal	Rationale For Selection	Function Measured	Numerator / Denominator	Data Source	Reported to	Reporting Frequency
3. End Point Sterility Test	•	•		0%	Compliant to Board of Policy	Steriquot	# test failed/Total # of Test	reports	QC, CNO	Monthly
4. 30 min medication administration	•	•		>95%	Compliant to CMS	Random Chart Review	Specified med given within 30 min of the time due/Total number audited	Daily audit	Director of Pharmacy, QC, CNO	Daily to Director of Pharmacy, Monthly to QC and CNO
5. Controlled Substances documentation in ED	•	•		100%	Compliant to CMS	Weekly Omnicell report	# narcotic medications taken from omnicell that have matching entered orders for that patient/# audited	Weekly audit	QC, CNO	Weekly to Director of Pharmacy, Monthly to QC and CNO
6. ED drug dispensing for Pediatric patients	•	•		100%	Compliant to CMS	Daily Monitoring	Inappropriate orders/Total pediatric orders	Daily	Director of Pharmacy, QC, CNO	Daily to Director of Pharmacy, Monthly to QC and CNO
7. Omnicell Override	•	•		100%	Compliant to CMS	Daily Monitoring	Complete orders/Total override	Daily audit	Director of Pharmacy, QC, CNO	Daily to Director of Pharmacy, Monthly to QC and CNO
<b>Physical Environment (EOC)</b>										
1. Sixty (60) second response time for fire response personnel for false alarms and fire drills	•	•		85%	1,5	Staff Response	N- Fire Responses < 60 seconds D- Fire Responses	Drill Reports	EOC, QC, MEC	Quarterly
2. Reduce the number of recordable injuries by 5% from 2015	•	•		NCH: 12 LACH: 35	5	Safety	N- Number of Injuries D- Number of Days	HR	EOC, QC, MEC	Quarterly
3. Maintain level of patient falls at or below 2.8 benchmark fall rate per 1000 patient days	•	•		2.8	1, 6	Patient Handling	N- # of Patient Falls D- # of Patient Days	Quality Management	EOC, QC, MEC	Quarterly
4. Identified deficiencies on EOC rounds are corrected and documented as completed within 45 days	•	•		85%	5, 1,6	Work Order Process	N- Deficiencies Identified D- Deficiencies Completed	EOC Rounds Survey Report	EOC, QC, MEC	Quarterly

Indicator(s)	LACH	NCH	LACHB	Target or Goal	Rationale For Selection	Function Measured	Numerator / Denominator	Data Source	Reported to	Reporting Frequency
5. Reduce the number of theft types at Alta Los Angeles Hospitals by 10% from the total thefts reported in 2015.	•	•		LACH: 13 NCH: 13	1,6	Security	N- Thefts reported D- Thirteen	Security Reports	EOC, QC, MEC	Quarterly
6. 15% reduction in number of linen pounds per patient day from 2015.	•	•		LACH: 11.1 NCH: 1.75	4	Allocation	N- Soiled Linen lib D- Adj Patient Days	Angelica Satisfactory Report	EOC, QC, MEC	Quarterly
7. Conduct Patient Safety Drills Quarterly in Non-Common Areas.	•	•		100%	1	Staff Response	N- Drills Completed D- Drills Scheduled	Drill Report	EOC, QC, MEC	Quarterly
8. Safety check completion rates for vendor life support equipment devices.	•	•		100%	5	Staff Training	N- Equip. Checked D- Equip. Received	Vendor Equipment Log Book	EOC, QC, MEC	Quarterly
9. Safety check completion rates each month for vendor non-life support equipment devices.	•	•		95%	5	Staff Training	N- Equip. Checked D- Equip. Received	Vendor Equipment Log Book	EOC, QC, MEC	Quarterly
10. Completion Rate for Submitted Work Orders	•	•		90%	5,1,6	Work Order Process	N- W.O. Completed D- W.O. Submitted	Work Order System	EOC, QC, MEC	Quarterly
<b>Quality/Risk Management</b>										
LACH/NCH										
1. Response to Grievances within 7 Days	•	•		100%	2,5,6	Grievance Response	# Responses with 7 Days/Grievances	Grievance Log	QC, MEC, GB	Data by Month – Reported Minimum of Quarterly
2. All OPPE to Medical Staff by Deadline	•	•		100%	2.5	Providing Practitioner Specific Data	#OPPE Reports Submitted by Deadline/#OPPE Reports Due	List of Reports Completed/Me d Staff List of Reports Due	QC, MEC, GB	Data by Month – Reported Minimum of Quarterly
3. #AMA OPPE to Medical Staff by Deadline	•	•		2%	1,3,5	Patients leaving AMA	# AMAs per admission	AMA Report from IT/Clarity	QC, MEC, GB	Data by Month – Reported Minimum of Quarterly
4. # Falls below national benchmark	•	•		2.5%	1,3,5	Patients falls by unit/shift	# falls per admission	Fall Report from Clarity	QC, MEC, GB	Data by Month – Reported Minimum of Quarterly
5. Overall Mortality Rate below national benchmark	•	•		2.5%	3,5,7	Total number of deaths	# of deaths per 100 discharges	Mortality Report from IT	QC, MEC, GB	Data by Month – Reported Minimum of Quarterly
6. Core Measures	•	•		100%	3,5,7	AMI, STK, VTE continued; Add Sepsis	Meet CMS Standard requirement for # reviewed	Data from IT	QC, MEC, GB	Data by Month – Reported Minimum of Quarterly

Indicator(s)	LACH	LACH	LACH	Target or Goal	Rationale For Selection	Function Measured	Numerator / Denominator	Data Source	Reported to	Reporting Frequency
7. Readmissions	•	•	•	<10%	3,5,7	Patient readmitted within 30 days for same diagnosis	Number readmissions for same Diagnosis	Data from IT: Input from DUI and CM	QC, MEC, GB	Data by Month – Reported Minimum of Quarterly
<b>Radiology</b>										
1. Radiologist required procedures performed in a timely manner	•	•	•	100%	2,5	Time procedure performed	# of timely procedures/ # of procedures	EMR/PACS	QC	Quarterly
2. Critical result documentation	•	•	•	100%	1,7	Document in report	# of critical results reported/ # of critical results	Transcribed reports	QC	Quarterly
3. Marker Use	•	•	•	95%	1,4	Marker use	# of radiographs with marker/ # of radiographs	Image Review	QC	Quarterly
4. Discrepancy in the ED physician and radiologist interpretation	•	•	•	95%	4,7	Reading Accuracy	# of interpretations with no discrepancies/ # of interpretations by the ED physician	Radiologist	QC	Quarterly
5. Radiation Exposure	•	•	•	100%	3,7	Exposure	# of staff without exposure issue/ # of staff monitored	Dosimetry reports	QC, EOC	Quarterly
6. Computerized Tomography Dose Reporting	•	•	•	100%	1,7	Dose	# of CT scans missing dose/ # of CT scans	PACS images	QC	Quarterly
7. Appropriateness of Nuclear Medicine Procedures	•	•	•	100%	1,7	Reason for Procedure	# of appropriate NM procedures/ # of NM procedures	Contracted Service Manager	QC	Quarterly
<b>Rehabilitation Services</b>										
<b>Wound Care Therapy</b>										
1. Identification, intervention, and documentation of pain during Rehab/WC encounter.	•	•	•	100%	1,2,5,6,7	Completion of pain parameter entry in all daily encounters including documentation of pain level, applicable treatment, and/or pt's rights to proceed or not.	# of complete pain parameter documentation entries/10 random charts per month or 30 random charts per quarter.	HER, Qi data gathering tool ongoing New	QC Medicine	Quarterly
2. Prevention of pressure	•	•	•	LACH	1,2,5,6,7	Utilization of	# of hospital acquired	HAPU incident	QC,	Quarterly

Indicator(s)	LACH	LACHB	Target or Goal	Rationale For Selection	Function Measured	Numerator / Denominator	Data Source	Reported to	Reporting Frequency
ulcers during hospital stay.			1.2% <hr/> SA 0.1% <hr/> NCH 0.8%		Braden Screening tool to identify patient with community PU. Monitoring of new pressure ulcer wounds not identified at admission. Tracking of HAPU using internal process.	pressure ulcers/1000 patient days.	reports. <input checked="" type="checkbox"/> ongoing <input type="checkbox"/> new	Medicine	
3. Pressure Ulcer Prevention Program (PU) provided within 24 hrs upon admission, readmission, or transfer.	•		100%	1,2,5,6	Validation of Braden Screening tool compliance. Initiation of protocol supported with documentation.	# of PUPP provided within 24 hrs. upon admission, readmission, or transfer/ 10 random charts per month or 30 random charts per quarter.	HER, QI data gathering tool. <input checked="" type="checkbox"/> ongoing <input type="checkbox"/> new	QC, Medicine	Quarterly
Rehab Services									
4. Speech Therapy evaluation provided (within 48hrs) when ordered by MD.	•		100%	1,2,6,7	Gathering all new consults and checking if patient was seen within the timeframe.	# of Speech Therapy evaluations provided within 48 hours/# of total Speech Therapy orders.	HER, QI data gathering tool. <input checked="" type="checkbox"/> ongoing <input type="checkbox"/> new	QC, Medicine	Quarterly
5. Physical Therapy evaluation provided within 24 hrs. when ordered by MD to include a complete documentation such as: ✓ PT evaluation documentation ✓ PT goals ✓ Plan of Care ✓ Clarification of PT orders, if needed, with frequency, duration, and interventions.	•		100%	2,6,7	Gathering all new consults and checking if patient was seen within the timeframe with complete entries of documentation parameters.	# of Physical Therapy evaluations provided within 24 hrs. with complete documentation/10 random charts per month or 30 random charts per quarter.	HER, QI data gathering tool. <input checked="" type="checkbox"/> ongoing <input type="checkbox"/> new	QC, Medicine	Quarterly

Indicator(s)	LACH	NCH	LACHB	Target or Goal	Rationale For Selection	Function Measured	Numerator / Denominator	Data Source	Reported to	Reporting Frequency
6. Rehabilitation (Recreation) Therapy Assessment completed by Therapy team within 72 hours of patient admission				100%	4,6,7	Patient's Rights and Provision of Care issues	Total # compliance/total # of medical records reviewed.	Medical Record	UR, QC, MEC	Data collected monthly/ Reported at least quarterly
7. Rehabilitation on Therapy Discharge Summaries completed within 72 hours of patient discharge.				100%	4,6,7	Patient's Rights and Provision of Care issues	Total # compliance/total # of medical records reviewed	Medical Record	UR, QC, MEC	Data collected monthly/ Reported at least quarterly
8. Rehabilitation Services				100%	4,6,7	Patient's Right and provision of Care issues	Total # compliance/total # of medical records reviewed.	Medical Record	UR, QC, MEC	Data collected monthly/ Reported at least quarterly
<b>Respiratory</b>										
LACH/NCH										
1. Ventilator Protocol				65%	1,6,7		# weaned/total monitored	Log	QC	Quarterly
2. Trach Changed within 30 days				95%	1,3,5,7		# done/total trach pls	Charting	QC	Quarterly
3. Assessments/Reassessments				95%	1,5,7		# done/total measured	Charting	QC	Quarterly
4. Trach Ties				95%	1,5,6,7		#done/Total	Charting	QC	Quarterly
5. Equipment Changes				95%	1,5,6,7		# changed/Total	Charting	QC	Quarterly
6. Crash Carts				95%	1,3,5,7		# done/total	Log Book	QC	Quarterly
7. Oral Care				95%	1,3,4,5,6,7		#documented/total	Observatio	QC	Quarterly
8. Charges checked and submitted				95%	4,5,7		# checked/total	Charting	QC	Quarterly
9. Tardiness				95%	1,7		Days lardy/total	JBDEV	QC	Quarterly
10. Attendance				95%	1,7		Days absent/total	Schedule	QC	Quarterly
11. Continuous Pulse Oximeters for Vents				100%	1,3,4,5,7		# on pts/total	Observatio	QC	Quarterly
12. Medications ordered for SAU				100%	1,4,6,7		Not ordered/Total	Log Book	QC	Quarterly
13. Bedside Reporting for Patients				95%	1,5,6,7		#RTs not compl/total	Observatio	QC	Quarterly
14. Temperature Log (Norwalk Hospital)				100%	1,2,5		# out of range/total	Log	QC	Quarterly
15. Critical Values Reported in a timely manner				95%	1,5,7		# out of range/total	Log	QC	Quarterly

Indicator(s)	LACH	LACH	LACHB	Target of Goal	Rationale For Selection	Function Measured	Numerator / Denominator	Data Source	Reported to	Reporting Frequency
<b>Social Services</b>										
1. Patients will be informed of their right to self-determination specifically their right to formulate an advance directive. Any patient that wants advance directive will be given information and will be followed up within 48 hours.	•			100%	5, 6, 7	2, 5	N: # of pts followed up within 48 hours of requesting info D: # of pts requesting information on advance directives	Advance Directives Log	QC	Q
2. All homeless patients will receive social work intervention to aid in placement. Documentation of intervention and final disposition will be reviewed for appropriateness.	•			100%	1, 3	1, 4	N: # of homeless pts seen by social services D: # of of homeless pts admitted	Admission screening	QC	Q
3. Homeless patients completing the informed consent form.	•			100%	1, 3, 5	1, 5	N: # of homeless pts admitted to the hospital D: # of patients completing the form	Review of the medical record and forms	QC	Q
4. Psycho-Social Assessments completed with 72 hours of admission	•			100%	4, 6, 7	Social Services timely assessment of their patients	# Psycho-socials completed/Total # Psycho-socials for the sample	Medical Record	UR, QC, MEC, GB	Data by month – reported minimally quarterly
5. Important Message from Medi-Care-signatures obtained at time of admission and prior to discharge	•			100%	3, 4, 7	Timely notification of Medi-Care recipients of their rights.	# of signed IM message forms/Total # of IM messages for the sample	Medical Record	UR, QC, MEC, GB	Data by month reported minimally quarterly
6. Information provided to Care Giver when identified by the patient as part of the Aftercare Plan	•			100%	1, 2, 6, 7	Inclusion of patient Care Giver in the patient's aftercare	# of aftercare forms where Care Giver Identified with information provided/Total # of aftercare forms where Care Giver is identified.	Medical Record	UR, QC MEC, GB	Data by month – reported minimally quarterly
<b>Sub-Acute</b>										

Indicator(s)	LACH	NCH	LACB	Target or Goal	Rationale For Selection	Function Measured	Numerator / Denominator	Data Source	Reported to	Reporting Frequency
1. MDS	•			100%	Patient Safety/Regulatory	Completion by required date	MDS forms completed on time/# patients	Patient Charts	Director of SA	Weekly with report to Quality Council Monthly
2. Care Plans	•			100%	Patient Safety/Regulatory	Care Plan initiated within specified time frame	# Completed by due date	Patient Charts	Director of SA	Weekly with report to Quality Council Monthly
3. Medication Administration	•			100%	Patient Safety/Regulatory	Timely administration - 1 hour before/after scheduled time	# doses given "on time" / # doses	Patient Charts	Director of Pharmacy/Director of SA	Weekly with report to Quality Council Monthly
4. Infection Control	•			100%	Patient Safety/Regulatory	Handwashing	# washings/# required washings	20/week observations	Director of IC and Director of SA	Weekly with report to Quality Council Monthly
5. Care Plan/MDS congruence	•			100%	Patient Safety/Regulatory	Content congruence	# MDS/Care Plans congruent/# patients	Patient Charts	Director of SA	Monthly to Quality Council
6. Consent for Psych. Meds	•			100%	2	Documentation of obtained consent	# of Psych. Meds (last 30 days) / # of Consent Obtained	Chart	QC	Monthly
7. Side Effects Monitoring for Psych. Meds	•			100%	2	Side effects (S/E) monitoring every shift	# shifts in the last 30 days of patients with Psych. Meds / # of S/E monitoring for Psych. Meds Q shift	Paper MAR	QC	Monthly
8. Foley Catheter (FC) with Indication for use	•			100%	2	Documentation of indication for FC use	# of FC in use (last 30 days) / # of FC with indication	Chart	QC	Monthly
9. Use of Less Restrictive Measures Prior to Restraint use	•			100%	2	Documentation of less restrictive measures	# of restraints in use (last 30 days) / # of documented less restrictive measures prior to use of restraint	Chart	QC	Monthly
10. Patency of Hemodialysis access	•			100%	2	Checking of bruit and thrill	# of shifts requiring patency checks of	Chart	QC	Monthly

Indicator(s)	LACH	NCH	LACHB	Target or Goal	Rationale For Selection	Function Measured	Numerator / Denominator	Data Source	Reported to	Reporting Frequency
						Patency of HD access site every shift	HD access requiring (last 30 days)/ # of actual Q shift monitoring of HD patient access			
11. PICC Line Consent Form	•			100%	2	Consent form obtained prior to PICC line insertion	# of residents with PICC lines (last 30 days) / # of PICC lines with consent form prior to insertion	Chart	QC	Monthly
12. Post Fall Assessment	•			100%	2	Documentation of post fall assessment after a fall	# of Fall in the last 30 days/ # of post fall assessments documented after a fall in the last 30 days	Chart	QC	Monthly
13. Matching of Range of Motion MD Orders on orders in the RNA treatment record	•			100%	2	RNA MD orders matches the tx orders on RNA sheets	# of RNA MD orders in the chart in the last 30 days/ # of RNA orders wherein MD orders matches the RNA orders on tx sheets	Chart	QC	Monthly
14. Treatment (Tx) orders are applied to patients with skin problems	•			100%	2	Skin problems with Tx orders	# of patients having Skin problems with treatment orders (every week in the last 30days)/# of patients with skin problems that received tx as ordered (every week in the last 30 days)	Chart	QC	Monthly
15. MDS Location of Assessment per CAA (Care of Assessment Area)	•			100%	2	CAA indicates location where assessment can be found	# of CAA in the last 30 days / # CAA with indication of the location where the documented assessment can be found	Chart	QC	Monthly

Indicator(s)	LACH	NCH	LACB	Target of Goal	Rationale For Selection	Function Measured	Numerator / Denominator	Data Source	Reported to	Reporting Frequency
16. Triggered CAA in the MDS with Corresponding Care Plans	•			100%	2	CAA triggered in the MDS are with Care Plans	# of CAA in the last 30 days/ # of CAA with complete care plans in the last 30 days	Chart	QC	Monthly
<b>Utilization Review</b>										
1. Initial Discharge Assessments are completed within 48 clock hours of patients' admission	•	•		95%	5	PC	N: # patients screened D: # cases reviewed (30 cases / month)	Allscripts Care Mgmt MCG/SS Discharge notes	URC and Quality /PI Committee	Q
2. Admission reviews are completed within 24 clock hours of admission and include required review elements.	•	•		95%	5	PC	N: # patients screened D: # cases reviewed (30 cases / month)	Allscripts Care Mgmt / Milliman Care EMR for scanned copy.	URC and Quality /PI Committee	Q
3. Patient Choice: The CM dept will provide the patient / patient representative with choices pertaining to their post hospital provider choices. This will be prior to DC and includes, but not limited to acute inpt rehab ,home health, infusion therapy ,hospice care, skilled nursing care , custodial care,etc... Evidence of patient choice is documented in the DC plan.(The organization must respect the choice of the patient or authorized representative except in unusual circumstances.)	•	•		95%	5	PC	N: # patients screened D: # cases reviewed (30 cases / month)		URC and Quality /PI Committee	Q
4. Daily concurrent reviews are completed each calendar day and include the	•	•		95%	5	PC	N: # patients screened D: # cases reviewed	Allscripts Care Mgmt / Milliman	Allscripts Care Mgmt /	Q

Indicator(s)	LACH	NCH	LACHB	Target or Goal	Rationale For Selection	Function Measured	Numerator / Denominator	Data Source	Reported to	Reporting Frequency
essential elements of the review.							(30 cases / month)	Care Guidelines (MCG)	Milliman Care Guidelines (MCG)	
5. Important Message from Medicare is re-issued to all Medicare and Medicare eligible patients within 48 hours of discharge.	•	•	•	100%	2	RI	N: # IMM's re issued D: # (ALL Medicare / Medicare Mged care discharges / month)	Medical record audit(Original copy maintained in the patient's MR)	UMC and Quality Council	Q
1. Medi-Cal Denial Rate Acute/Administrative Days			•	<5%	7	PI	N: Total # of Medi-Cal days Denied D: Total # of Medi-Cal Days processed	Processed TARS	UMC, QC	Quarterly
2. Inpatient Length of Stay (Over Utilization)			•	<5%	7	PI	N: Total # of patients with LOS of >14 days D: Total # of discharges	Chart Review	UMC, QC	Quarterly
3. 1 <sup>st</sup> Level Medi-Cal Appeals			•	Trend	7	PI	N: Total Days approved D: Total days Processed	Processed Appeals	UMC, QC	Quarterly

**RATIONALE FOR INDICATOR SELECTION:**

1. Patient Safety Issue
2. Survey Finding
3. High Risk Process
4. High Volume Process
5. Problem Prone
6. Patient Satisfaction Issue
7. Required Measure

There may be more than one rationale for a single indicator. Survey findings should be first priority.

Quality Assessment and Performance Improvement Indicators for 2016 (revised as of 3/23/2016)

Note: Indicators are to be selected from this list. All indicators are not meant to be monitored at all times

No	Name	Definition	Target*	Accountability	Prioritization Criteria**	Reporting	Comment
<b>Significant Adverse Occurrences</b>							
1	Sentinel Event (Never Events)	Event leading to death or significant impairment (per Sentinel Event Policy) includes Near Misses (may be reported under significant events on scorecard)	0%	Risk Manager	XX, R, P, C	Quality Steering Committee (QSC) Medical Executive Committee (MEC) Board of Trustees (Board) (Monthly until resolution)	Each sentinel event is reported. The root cause analysis and prevention interventions are also reported.
2	Event Reporting Frequency (RCA)	Number of events reported of the following types: Medication-Related; Other significant	0%	Risk Manager	XX, R, P	QSC, MEC, BOARD (Monthly)	The focus will be to increase reporting of issues
3	Regulatory Citations	Issues identified in this category are monitored until sustained improvement is shown for a minimum of 3 months	TBD	TBD	TBD	TBD	TBD
<b>Patient Safety</b>							
4	Inpatient Falls per 1000 patient days	Numerator: Number of inpatient reported during the month Denominator: number of inpatient day s per month X 1000.	0.36	Risk Manager	XX, R, P, V	QSC, MEC, BOARD (Monthly)	Quality Steering Committee will oversee the effectiveness of corrective actions
5	Patient falls leading to injury requiring treatment	Number and brief description of the circumstances surrounding any inpatient or outpatient fall that required medical treatment	N/A	Risk Manager	XX, R, P, V	QSC, MEC, BOARD As they occur - monthly	Quality Steering Committee will oversee the effectiveness of corrective actions
<b>Infection Prevention</b>							
6	MDRO Infection Rate	Numerator: Number of cases (HAI) Denominator: 1000 pt days	TBD	Infection Control Practitioner	R, P, C	QSC, MEC, BOARD (Quarterly)	Quality Steering Committee will oversee the effectiveness of corrective actions
7	Surgical Site HAI rate	Numerator: Number SSI (tagged/specific cases only) Denominator: per 1000 clean cases	TBD	Infection Control Practitioner	R, C, P, S	QSC, MEC, BOARD (Quarterly)	Surgical procedures for review should be related to capture the spectrum of clinical services and operative areas
8	Ventilator Associated Event Rate	Numerator: Number of ventilator associated event infections Denominator: Number of ventilator patient days X 1000	TBD	Infection Control Practitioner	R, P, C	QSC, MEC, BOARD (Quarterly)	Quality Steering Committee will oversee the effectiveness of corrective actions

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\*\* Prioritization Criteria: XX = Required by External Authorities; R = High Risk; V = High Volume; P = Problem Prone; C = Clinical Excellence; E = Operational Efficiency; S = Patient, Employee and Physician Satisfaction; H = Employee Retention / Recruitment

Monthly statistical calculations unless otherwise stated

9	Central Line/Catheter Related Sepsis Rate	Numerator: Number of CLABSI Denominator: Number of line insertion patient days X 1000	TBD	Infection Control Practitioner	R, P, C	QSC, MEC, BOARD [Quarterly]	Quality Steering Committee will oversee the effectiveness of corrective actions
10	MRSA Rate	Numerator: Number of cases (HAI) Denominator: 1000 pt days	TBD	Infection Control Practitioner	R, P, C, S	QSC, MEC, BOARD Quality Steering Committee [Monthly]	Quality Steering Committee will oversee the effectiveness of corrective actions
11	C. difficile Rate	Numerator: Number of cases Denominator: 1000 pt days	TBD	Infection Control Practitioner	R, P, C, S	QSC, MEC, BOARD [Quarterly]	Quality Steering Committee will oversee the effectiveness of corrective actions
12	Rate of Compliance CDC Hand Hygiene Requirements	Numerator: Number of observations when the caregiver performed hand hygiene per CDC guidelines. Denominator: number of observations (opportunities)	100%	Infection Control Practitioner	XX, R, P, V	At least ten observations per month QSC, MEC, BOARD and Infection Control [Quarterly]	Observations should be related to cover all settings and all disciplines
Organ / Tissue Donation							
13	Notification of OPO of imminent patient death/actual death	Numerator: # of OPO contacts within time frames per policy Denominator: # of deaths per month	75%	Risk Manager	XX, E	QSC, BOARD [Quarterly]	Quality Steering Committee will oversee the effectiveness of corrective actions
Environment of Care							
14	Emergency Generator Testing 12 tests required per year with intervals of not less than 20 days and not more than 40 days	Numerator: # of tests conducted at required load Denominator: # of tests required	TBD	Plant Operations	XX, R, V, P, C, E, S, H	Environment of Care Committee Quality QSC, Board [Quarterly]	EOC Committee will oversee the effectiveness of corrective actions
15	Preventative Maintenance on High Risk Equipment	Numerator: # of PM equipment checks per program Denominator: # of PM equipment observations conducted	95%	Biomed	R, V, P, C, E, S, H	Environment of Care Committee Quality QSC, Board [Quarterly]	EOC Committee will oversee the effectiveness of corrective actions
16	Emergency Management Activation	2 per year	TBD	Plant Operations	XX, R, V, P, C, E, S, H	Environment of Care Committee Quality QSC, Board [Quarterly]	EOC Committee will oversee the effectiveness of corrective actions

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17	Emergency Management Employee Education	Numerator: # of employees correctly describing their role in the event of an internal/external disaster Denominator: # of employees interviewed	>90%	Plant Operations	R, V.P., C, E, S, H	Environment of Care Committee Quality QSC, Board (Quarterly)	EOC Committee will oversee the effectiveness of corrective actions
18	Fire Drills	Numerator: 1 fire drill per quarter per shift conducted Denominator: 12	100%	Plant Operations	XX, R, V.P., E, S, H	Environment of Care Committee Quality QSC, Board (Quarterly)	EOC Committee will oversee the effectiveness of corrective actions
19	Staff knowledge of fire plan	Numerator: # of staff articulating fire plan components correctly Denominator: # of staff queried	>90%	Plant Operations	R, V.P., E, S, H	Environment of Care Committee Quality QSC, Board (Quarterly)	EOC Committee will oversee the effectiveness of corrective actions
20	Preventative Maintenance on Life Safety System	Numerator: # of PM on Fire System Denominator: 4 total Fire System PM Conducted	<95%	Plant Operations	R, V.P., E, S, H	Environment of Care Committee Quality QSC, Board (Quarterly)	EOC Committee will oversee the effectiveness of corrective actions
21	Life Safety Assessment Conducted for all construction/renovation projects	Numerator: # of LSM assessments conducted Denominator: # of construction/renovation projects initiated	100%	Plant Operations	XX, R, V.P., E, S, H	Environment of Care Committee Quality QSC, Board (Quarterly)	EOC Committee will oversee the effectiveness of corrective actions
Patient Complaints / Grievances							
22	Timely Patient Grievance Response Rate	Numerator: # of patient grievances responded to w/7 days Denominator: # of grievances reviewed	TBD	Patient Advocate	R, P, S	QSC, MEC, BOARD (Quarterly)	Quality Steering Committee will oversee the effectiveness of corrective actions
Clinical Excellence / Operational Quality							
CMS Core Measures							
23	Compliance with Core Measures See core measure descriptions	Indicator sets for AMI, Pneumonia, CHF with related core measure criteria will be reviewed on a quarterly basis (see attached) ❖	TJC Reported mean	Quality Director	XX, V, C, E	QSC, MEC, BOARD (Quarterly)	Quality Steering Committee will oversee the effectiveness of corrective actions
HCAHPS							
24a	Patient Satisfaction, overall level of care, inpatient	Percent of patients indicating positive/slightly positive score ❖	Corp mean	Quality Director	V, S, H	QSC, MEC, BOARD (Quarterly)	Quality Steering Committee will oversee the effectiveness of corrective actions

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24b	Patient Satisfaction, overall level of care, ED	Percent of patients indicating positive/slightly positive score ❖	Corp mean	Quality Director	V,S,H	QSC, MEC, BOARD (Quarterly)	Quality Steering Committee will oversee the effectiveness of corrective actions
24c	Patient Satisfaction, overall level of care, OP	Percent of patients indicating positive/slightly positive score ❖	Corp mean	Quality Director	V,S,H	QSC, MEC, BOARD (Quarterly)	Quality Steering Committee will oversee the effectiveness of corrective actions
<b>HBIPS</b>							
25a	HBIPS-1	Admission screening for violence risk, substance use, psychological trauma history and patient strengths completed	Corp mean	Director BHU	V,S,H	QSC, MEC, BOARD (Quarterly)	Quality Steering Committee will oversee the effectiveness of corrective actions
25b	HBIPS-2	Hours of physical restraint use	Corp mean	Director BHU	V,S,H	QSC, MEC, BOARD (Quarterly)	Quality Steering Committee will oversee the effectiveness of corrective actions
25c	HBIPS-3	Hours of seclusion use	Corp mean	Director BHU	V,S,H	QSC, MEC, BOARD (Quarterly)	Quality Steering Committee will oversee the effectiveness of corrective actions
25d	HBIPS-4	Patients discharged on multiple anti-psychotropic medications	Corp mean	Director BHU	V,S,H	QSC, MEC, BOARD (Quarterly)	Quality Steering Committee will oversee the effectiveness of corrective actions
25e	HBIPS-5	Patients discharged on multiple anti-psychotropic medications with appropriate justification	Corp mean	Director BHU	V,S,H	QSC, MEC, BOARD (Quarterly)	Quality Steering Committee will oversee the effectiveness of corrective actions
25f	HBIPS-6	Pos-discharge continuing care plan created	Corp mean	Director BHU	V,S,H	QSC, MEC, BOARD (Quarterly)	Quality Steering Committee will oversee the effectiveness of corrective actions
25g	HBIPS-7	Post-discharge continuing care plan transmitted to next level of care provider on discharge	Corp mean	Director BHU	V,S,H	QSC, MEC, BOARD (Quarterly)	Quality Steering Committee will oversee the effectiveness of corrective actions
<b>Contract Services</b>							
26	Evaluation of Contracted Services	Numerator: Number of Contracted Services Evaluated Denominator: Total number of Contracted Services	Corp mean	COO	XX	PICC, Board (Annually)	Performance Improvement Coordinating Council will oversee the effectiveness of corrective actions
27	Effectiveness of Contracted Services	Numerator: # of services with positive evaluation Denominator: # of contract services	95%	COO	XX	PICC, Board (Annually)	Performance Improvement Coordinating Council will oversee the effectiveness of corrective actions
<b>Surgery/GI Lab</b>							
28	Sedation Outcome (Use of Reversals)	Numerator: Number of sedation cases with reversal agents used Denominator: Total sedation procedures performed	0%	GI Laboratory and Sedation Team Director	R, P, C	QSC, MEC, BOARD (Quarterly)	Quality Steering Committee will oversee the effectiveness of corrective actions Will refer physician identified trends to Peer Review Committee for review, determination and action as necessary

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25	Unplanned Returns to the OR	Numerator: Number of unplanned patient returns to OR for surgical procedure during same admission as initial procedure Denominator: Number of surgical cases performed	TBD	Surgery Director	R, P, C, S	OSC, MEC, BOARD Peer Review Committee (Monthly)	Quality Steering Committee will refer physician identified trends to Peer Review Committee for review, determination and action as necessary
30	PI Project Status Temp and Humidity in the OR suites	Numerator: # of times temp and Humidity out of range Denominator: # of times temp and humid measured	100%	Surgery Director	R, V, P, C, E	OSC, MEC, BOARD (Monthly)	Quality Steering Committee will oversee the effectiveness of corrective actions
31	Sterilization of Surgical Instruments PI Project	Numerator: # of instrument trays with no evidence of discoloration post sterilization Denominator: # of instrument trays inspected	100%	Surgery Director	R, P, V, C, E	OSC, MEC, BOARD (Monthly)	Quality Steering Committee will oversee the effectiveness of corrective actions
32	ALOS in PACU	Average Length of Time in Minutes	TBD	Surgery Director	V, C, E, S	OSC, MEC, BOARD (Quarterly)	Quality Steering Committee will oversee the effectiveness of corrective actions
Health Outcomes / Complications -1							
33	Inpatient Mortality Rate	Numerator: Number of inpatient deaths Denominator: Number of patient days per month X 1000	TBD	Quality Director	R, V, P, C, S	OSC, MEC, BOARD Peer Review Committee (Monthly)	Quality Steering Committee will refer physician identified trends to Peer Review Committee for review, determination and action as necessary
34	Postoperative Mortality Rate (new)	Numerator: Number of mortalities post surgical procedure Denominator: Total number of surgical cases performed	TBD	Quality Director	R, V, P, C, S	OSC, MEC, BOARD Peer Review Committee (Monthly)	Quality Steering Committee will refer physician identified trends to Peer Review Committee for review, determination and action as necessary
Health Outcomes / Emergency Department							
35	Emergency Department LWBS rate	Numerator: Number of patients leaving ED WBS Denominator: Number of ED patient visits X 1000	<2%	ED Manager	R, V, P, C, S	OSC, BOARD Quality Steering Committee (Quarterly)	Quality Steering Committee will oversee the effectiveness of corrective actions
36	Door to Physician Time	Average Monthly Time in Minutes	TBD	ED Manager	R, V, P, C, E	OSC, MEC, BOARD Quality Steering Committee (Monthly)	Quality Steering Committee will oversee the effectiveness of corrective actions
37	Door to Disposition Time	Average Monthly Time in Minutes	TBD	ED Manager	R, V, P, C, E	OSC, MEC, BOARD Quality Steering Committee (Monthly)	Quality Steering Committee will oversee the effectiveness of corrective actions
38	# of Pts in ED >4 hrs & <6 hrs	Numerator: # of registered pts in ED >4 hrs, but <6 hrs Denominator: # of ED visits X 1000	90%	ED Manager	V, C, E, S	OSC, MEC, BOARD (Quarterly)	Quality Steering Committee will oversee the effectiveness of corrective actions

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ED Adult Patient Average Length of Stay		Average Length of Time in Hours	TBD	ED Manager	V, C, E, S	QSC, I/EC, BOARD (Quarterly)	Quality Steering Committee will oversee the effectiveness of corrective actions
<b>Health Outcomes / Complications - Behavioral Health/IDP</b>							
39	Assaultive behavior pt. vs. pt	Numerator: # of pt vs pt assaults Denominator: 1000 pt days:	<30%	BHU Nursing Manager	R, P, C, S	Quality Steering Committee (Monthly)	Quality Steering Committee will oversee the effectiveness of corrective actions
40	Assaultive behavior pt vs si.	Numerator: # of pt vs si assaults Denominator: 1000 pt days:	<15%	BHU Nursing Manager	R, P, C, S	Quality Steering Committee Peer Review Committee (Monthly)	Quality Steering Committee will oversee the effectiveness of corrective actions
41	Assaultive Behavior si. vs. pt	Numerator: # of si vs pt assaults Denominator: 1000 pt days:	0%	BHU Nursing Manager	R, P, C, S	Quality Steering Committee Peer Review Committee (Monthly)	Quality Steering Committee will oversee the effectiveness of corrective actions
42	Patient rights: appropriate discharge	Numerator: # of appropriate discharges/ Denominator: # of discharged patients	2%	BHU Nursing Manager	R, P, C, S	Quality Steering Committee Peer Review Committee (Monthly)	Quality Steering Committee will oversee the effectiveness of corrective actions
43	Patient Rights: appropriateness of holds	Numerator: # appropriate holds Denominator: # of pt holds	<5%	BHU Nursing Manager	R, P, C, S	Quality Steering Committee Peer Review Committee (Monthly)	Quality Steering Committee will oversee the effectiveness of corrective actions
44	Patient Rights: Timely removal of holds	Numerator: # of timely removal of holds Denominator: # of holds removed	TBD	BHU Nursing Manager	R, P, C, S	Quality Steering Committee Peer Review Committee (Monthly)	Quality Steering Committee will oversee the effectiveness of corrective actions
45	Patient Rights: Use of seclusion/restraints	Numerator: # of pt in restraint/seclusion/ Denominator: 1000 pt days	90%	BHU Nursing Manager	R, V, C, S	Quality Steering Committee	Quality Steering Committee will oversee the effectiveness of corrective actions
46	Patient Rights: Privacy	Numerator: # of pt denied privacy Denominator: 1000 pt days:	volume	BHU Nursing Manager	R, P, C, S	Quality Steering Committee Peer Review Committee (Monthly)	Quality Steering Committee will oversee the effectiveness of corrective actions
<b>Medical Staff (new)</b>							
<i>Other medical staff indicators determined by individual departments and services and reported to individual department QAPI meetings with routine reporting format</i>							
<b>Resuscitation</b>							
47	Cardiopulmonary Arrests	Numerator: Number of cardiopulmonary arrests Denominator: 1000 patient days	Trend	ED Director	R, P, C, E, S	QSC, MEC, BOARD (Quarterly)	Quality Steering Committee will oversee the effectiveness of corrective actions

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 Monthly statistical calculations unless otherwise stated

49	Rapid Response Team (REACT Team) Effectiveness	Numerator: Number of Rapid Response Team responses within 4 minutes Denominator: RRT calls per month (per reporting period) Numerator: Number of Rapid Response Team responses with transfer to higher level of care Denominator: RRT calls Numerator: Number of codes where all efficiency criteria is met Denominator: Total number full code arrests Numerator: Number of codes with patients surviving code Denominator: Number of full code arrests Numerator: Number of codes with patients surviving to discharge Denominator: Number of full code arrests	100%  Trend  100%  Trend  Trend	ED Director  ED Director  ED Director  ED Director  ED Director	R, V, P, C, E  R, V, P, C, E  R, P, C, S, E  R, P, C, S, E  R, P, C, S, E	Code Blue Team, QSC, MEC, BOARD (Quarterly)  Code Blue Team, QSC, MEC, BOARD (Quarterly)	Quality Steering Committee will oversee the effectiveness of corrective actions  Quality Steering Committee will oversee the effectiveness of corrective actions  Quality Steering Committee will oversee the effectiveness of corrective actions  Quality Steering Committee will oversee the effectiveness of corrective actions  Quality Steering Committee will oversee the effectiveness of corrective actions
Patient Satisfaction HCAHPS							
51	Patient Satisfaction overall level of care inpatient	Percent of patients indicating positive/slightly positive score	Corp mean	Quality Director	V, S, H	QSC, MEC, BOARD (Quarterly)	Quality Steering Committee will oversee the effectiveness of corrective actions
52	Patient Satisfaction overall level of care ED	Percent of patients indicating positive/slightly positive score	Corp mean	Quality Director	V, S, H	QSC, MEC, BOARD (Quarterly)	Quality Steering Committee will oversee the effectiveness of corrective actions
53	Patient Satisfaction overall level of care OP	Percent of patients indicating positive/slightly positive score	Corp mean	Quality Director	V, S, H	QSC, MEC, BOARD (Quarterly)	Quality Steering Committee will oversee the effectiveness of corrective actions
Pain Management							
54	Pain Assessment	Numerator: Pain Assessment per policy Denominator: Number of observations		Nursing Admin	H, P, V, C, S	QSC, MEC, BOARD (Quarterly)	Quality Steering Committee will oversee the effectiveness of corrective actions
55	Pain Re-Assessment	Numerator: Pain Re-assessment post intervention Denominator: Number of observations		Nursing Admin	H, P, V, C, S	QSC, MEC, BOARD (Quarterly)	Quality Steering Committee will oversee the effectiveness of corrective actions
Hospital Acquired Pressure Ulcers							
56	Prevention of Hospital Acquired Pressure Ulcers	HAPU prevalence -overall	0.xx per CallNoc	Nursing Admin	H, P, V, C, S	QSC, MEC, BOARD (Quarterly)	Prevalence Indicator Quality Steering Committee will oversee the effectiveness of corrective actions

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Monthly statistical calculations unless otherwise stated

		HAPI prevalence - Rehab	0.xx per CalNoc	Nursing Admin	H, P, V, C, S	QSC, MEC, BOARD (Quarterly)	Prevalence indicator Quality Steering Committee will oversee the effectiveness of corrective actions
<b>Restraint Usage</b>							
57	Restraint Prevalence	Restraint Prevalence -- overall	x.xx per CalNoc	Nursing Admin	R, P, C, S	QSC, MEC, BOARD (Quarterly)	Prevalence indicator Quality Steering Committee will oversee the effectiveness of corrective actions
58	Restraint Usage -- Appropriateness of order (Physician) per policy	Numerator: Number of orders for restraint meeting restraint criteria per policy Denominator: Total number of orders for restraint	100%	Nursing Admin	R, P, C, S	QSC, MEC, BOARD (Quarterly)	Quality Steering Committee will oversee the effectiveness of corrective actions
59	Restraint Monitoring (Nursing) per policy	Numerator: Number of restraint records meeting monitoring criteria Denominator: Total number of restraint records reviewed *each episode of restraint reviewed -- reported as variance per record ❖	100%	Nursing Admin	R, P, C, S	QSC, BOARD (Quarterly)	Quality Steering Committee will oversee the effectiveness of corrective actions
<b>Medication Use</b>							
60	Unit based Pharmacy Medication Error Rate	Numerator: total number of medication errors occurring in patient care areas Denominator: Total medications dispensed (or per 1000 medications dispensed) ❖	TBD	Pharmacy Director	R, V, P, C, E, S	Medication Safety Committee, P&T, QSC, BOARD (MSC monthly, others quarterly)	Quality Steering Committee will oversee the effectiveness of corrective actions
61	Internal Pharmacy Medication Error Rate	Numerator: total number of internal pharmacy medication errors identified Denominator: Total number of drugs prepared for dispensing (or per 1000 drugs dispensed) ❖	TBD	Pharmacy Director	R, V, P, C, E, S	Medication Safety Committee, P&T, QSC, BOARD (MSC monthly, others quarterly)	Quality Steering Committee will oversee the effectiveness of corrective actions taken by Pharmacy
62	Adverse Drug Reaction Rate	Numerator: Number of adverse drug reactions Denominator: Number of medications administered ❖	TBD	Pharmacy Director	R, P, C	Medication Safety Committee, P&T, QSC, BOARD (MSC monthly, others quarterly)	Quality Steering Committee will oversee the effectiveness of corrective actions
63	MERP program	See MERP Indicators per Facility		Pharmacy Director			

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Medical Records							
64	Medical Records Meeting Review Criteria (timeliness, legibility, authentication of data)	Numerator: Number of records meeting criteria at the 100% level Denominator: Random 30 record audit	90%	HIM Director	P, C, E	HISC, QSC, MEC, BOARD [Quarterly]	Quality Steering Committee will oversee the effectiveness of corrective actions
65	Medical Record Delinquency Rate	Average monthly discharges over the past 4 quarters Not greater than 50% of the AMD rate and no single quarterly measurement greater than 50% of the AMD rate	* not < 50%	HIM Director	XX, P, C, E	HISC, QSC, MEC, BOARD [Quarterly]	Quality Steering Committee will oversee the effectiveness of corrective actions
66	H&P Content per Medical Staff requirements	Numerator: Number of H&Ps performed Denominator: # H&Ps meeting MEC requirements**	TBD	HIM Director	P, C, E	QSC, MEC, BOARD [Quarterly]	Quality Steering Committee will oversee the effectiveness of corrective actions
Laboratory							
67	Crossmatch to Transfusion Ratio	Numerator: Number of units ordered for crossmatch Denominator: Number of cross matched units transfused	2:1	Clinical Laboratory	R, V, C	QSC, MEC, BOARD [Quarterly]	Negative trends will be analyzed with drill down to identify ordering issues - analysis will include at areas where cross match is ordered
68	Transfusion reaction rate	Numerator: Number of identified hemolytic transfusion reactions Denominator: Number of units transfused	0%	Clinical Laboratory	R, P, C	QSC, MEC, BOARD As they occur - monthly	Quality Steering Committee will oversee action plan for investigation
69	Average time of reporting of critical results	Mean time from resulting availability to notification of the responsible practitioner (physician or other practitioner who may initiate appropriate intervention) **	TBD	Clinical Laboratory	XX, R, P, V	QSC, BOARD All "tier 1" critical non-laboratory testing results Quality Steering Committee [Quarterly]	Quality Steering Committee will oversee the effectiveness of corrective actions
70	Discrepant Pathology Reports		0%	Clinical Laboratory	R, P, C	QSC, MEC, BOARD As they occur - monthly	Quality Steering Committee will oversee action plan for investigation
Utilization/Case Management							
71	Appropriateness of Patient Discharge	Numerator: Number of inpatient readmissions within 30 days of discharge for AMI, HF, CAP Denominator: Total number of discharges per month AMI, HF, CAP	TBD	Case Manager	V, C, E, S	QSC, BOARD [Quarterly]	Quality Steering Committee will oversee the effectiveness of corrective actions
72	Appropriateness of care and treatment - Medicare specific	Numerator: Number of Medicare denials Denominator: Total number of Medicare patient discharges per month	TBD	Case Manager	V, C, E, S	QSC, MEC, BOARD [Quarterly]	Quality Steering Committee will oversee the effectiveness of corrective actions

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73	Appropriateness of care and treatment - Medicaid specific	Numerator: Number of Medicaid denials Denominator: Total number of Medicaid patient discharges per month	TBD	Case Manager	V, C, E, S	QSC, MEC, BOARD (Quarterly)	Quality Steering Committee will oversee the effectiveness of corrective actions
Employee Health							
74	Employee Influenza Vaccination Compliance	Numerator: # of staff who recvd influenza vaccination Denominator: total number of staff		Director of Infection Control	XX, R		
Dialysis Services							
75	Contract Service Dialysis	See Standardized Indicators for Contract Services Dialysis		Nursing Admin			
76	Contract Service Dialysis	Numerator: Daily Patient Schedule Provided Denominator: Total number of Observations		Nursing Admin			
Food and Nutrition Services: Refer to Department Audits							
77	Contract Service Food and Nutrition	See Standardized Indicators for Contract Services Food and Nutrition		Director of Dietary			
78	Delivered Diet Tray Accuracy (new)	Numerator: Number of accurate meal trays delivered to unit Denominator: number of meal trays delivered	100%	Director of Dietary	V, P, C, S	P&T, OSC, MEC, BOARD (Quarterly)	Quality Steering Committee will oversee the effectiveness of corrective actions
79	Food Safety - Sanitary, Storage and Preparation (Sanitation)	Numerator: Number of Compartment Sinks with Correct Temperature for Sanitation Denominator: number of Compartment Sinks Tested for Correct Temperature	100%	Director of Dietary	V, P, C, S	P&T, OSC, MEC, BOARD (Quarterly)	Quality Steering Committee will oversee the effectiveness of corrective actions
80	Food Safety - Sanitary, Storage and Preparation (Safe Storage - Temperature)	Numerator: Number of Refrigerator and Freezer Logs with Temperatures within Range Denominator: number of Refrigerator/Freezer Logs Reviewed	100%	Director of Dietary	V, P, C, S	P&T, OSC, MEC, BOARD (Quarterly)	Quality Steering Committee will oversee the effectiveness of corrective actions
81	Food Safety - Sanitary, Storage and Preparation (Safe Preparation - Hot Food Cooling Process)	Numerator: Number of Hot Food Cooling Items Within Temperature Range Denominator: Number of Hot Food Items Cooled and with Temperature Checks	100%	Director of Dietary	V, P, C, S	P&T, OSC, MEC, BOARD (Quarterly)	Quality Steering Committee will oversee the effectiveness of corrective actions
Imaging Services							
82	Dosimeter Badge Readings	Radiology Reports to QC with fall outs, posted for staff and FIU with employee	NA	Director of Imaging	XX	QSC, MEC, BOARD (Quarterly)	Quality Steering Committee will oversee the effectiveness of corrective actions

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83	Result Discrepancies/Re-reads	# of result discrepancies/ Total# of radiology reads/month	<5%	Director of Imaging	R, P	QSC, MEC, BOARD [Quarterly]	Quality Steering Committee will oversee the effectiveness of corrective actions
84	Radioactivity Monitoring	Numerator: The number of environmental swabs without radioactive traces. Denominator: The number of environmental swabs taken.	100%	Director of Imaging	XX, R, V, P, C, E	Environment of Care Committee Quality OSC, Board [Quarterly]	EOC Committee will oversee the effectiveness of corrective actions
<b>Rehabilitation Services (Physical Therapy and Habilitation Services)</b>							
85	Functional Independence Measure Scoring (FIMS)	Numerator: # of pts with FIMS scoring improving to < national benchmark and range Denominator: Number of FIMS scores measured	*target specific to dx process - national average 79	Rehabilitation Services	R, P, C, E S	QSC, MEC, BOARD [Quarterly]	Quality Steering Committee will oversee the effectiveness of corrective actions
86	Rehabilitation Patients Discharged to Community	Numerator: # of rehabilitation patients discharged to the community Denominator: # of patient discharges	72	Rehabilitation Services	R, P, C, E S	QSC, MEC, BOARD [Quarterly]	Quality Steering Committee will oversee the effectiveness of corrective actions
87	Therapy Assessments	Numerator: # of physical therapy evaluations performed within time frame per policy Denominator: # of physical therapy evaluations reviewed	100%	Rehabilitation Services	R, P, C, E S	QSC, MEC, BOARD [Quarterly]	Quality Steering Committee will oversee the effectiveness of corrective actions
		Numerator: # of speech therapy evaluations performed within time frame per policy Denominator: # of speech therapy evaluations reviewed	100%	Rehabilitation Services	R, P, C, E S	QSC, MEC, BOARD [Quarterly]	Quality Steering Committee will oversee the effectiveness of corrective actions
		Numerator: # of occupational therapy evaluations performed within time frame per policy Denominator: # of occupational therapy evaluations reviewed	100%	Rehabilitation Services	R, P, C, E S	QSC, MEC, BOARD [Quarterly]	Quality Steering Committee will oversee the effectiveness of corrective actions

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Respiratory Therapy Services							
88	Arterial Blood Gas Management	Numerator: # ABGs resulted within 10 minutes of STAT draw Denominator: # of ABG STAT specimens requested included in study	100%	Respiratory Therapy Services	R, P, C, E, S	OSC, MEC, BOARD [Quarterly]	Quality Steering Committee will oversee the effectiveness of corrective actions
89	Timeliness of Treatment	Numerator: # of Missed/Delayed Treatments Denominator: # of treatments to be administered	0%	Respiratory Therapy Services	R, P, C, E, S	OSC, MEC, BOARD [Quarterly]	Quality Steering Committee will oversee the effectiveness of corrective actions
Outpatient Services/Spine Clinic							
90	Medication Reconciliation	Numerator=# of medication recon forms completed with allergies identified/Denominator # of recon forms obtained/month	90%	Clinic Manager		OSC, MEC, BOARD [Quarterly]	Quality Steering Committee will oversee the effectiveness of corrective actions
91	Medication Reconciliation	Numerator= # of Med recon forms sent to internist/Denominator = # of patients referred to internist	90%	Clinic Manager		OSC, MEC, BOARD [Quarterly]	Quality Steering Committee will oversee the effectiveness of corrective actions
92	Wait Times	Numerator # of patients seen by physician within 20 minutes of arrival Denominator # of patients seen in center /month	90%	Clinic Manager		OSC, MEC, BOARD [Quarterly]	Quality Steering Committee will oversee the effectiveness of corrective actions
Outpatient Services/Cardiology Clinic							
93							
94	Post Procedure Pathology Reports	Numerator: # of post-procedure pathology reports available for patient visit/Denominator: # of post-p procedure patient visits	90%	Clinic Manager		OSC, MEC, BOARD [Quarterly]	Quality Steering Committee will oversee the effectiveness of corrective actions
	Final Read Cardiology Test Results	Numerator: # final-read cardiology test results available for patient visit/Denominator: # of cardiology results available for patient visit/month	90%	Clinic Manager		OSC, MEC, BOARD [Quarterly]	Quality Steering Committee will oversee the effectiveness of corrective actions
	Wait Times	Numerator: # of patients seen by physician within 20 minutes of arrival Denominator: # of patients seen in center /month	90%	Clinic Manager		OSC, MEC, BOARD [Quarterly]	Quality Steering Committee will oversee the effectiveness of corrective actions
Environmental Services							
95	Contract Service EVS	See Standardized Indicators for Contract EVS Services					

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96	Cleanliness and Sanitation	<b>Composite Score</b> Numerator: # Areas Inspected Properly Cleaned and Disinfected Denominator: # of Areas included in Inspection	95%	Environmental Services	V, P, C, E S, H	QSC, MEC, BOARD [Quarterly]	Quality Steering Committee will oversee the effectiveness of corrective actions
		Numerator: SPD Terminally Cleaned per policy Denominator: # of observations <b>Composite Score</b> Numerator: # Areas Inspected for Positive Glow Verification (effective disinfection) Denominator: # of Areas included in Inspection	95%	Environmental Services	V, P, C, E S, H	QSC, MEC, BOARD [Quarterly]	Quality Steering Committee will oversee the effectiveness of corrective actions
		<b>Composite Score</b> Numerator: # Areas Inspected for Positive Glow Verification (effective disinfection) Denominator: # of Areas included in Inspection	TBD	Environmental Services	V, P, C, E S, H	QSC, MEC, BOARD [Quarterly]	Quality Steering Committee will oversee the effectiveness of corrective actions
<b>Performance Initiatives/Projects</b>							
97	Rate of compliance with structured patient hand-off process	Numerator: Number of observations of patient hand-offs during which the hospital's structured process was followed. Denominator: number of patient hand-offs observed ❖	TBD	Quality Director	R, P, V	QSC, MEC, BOARD 10 hand-offs per month Quality Steering Committee [Quarterly]	Sampling should focus on various types of hand-offs.

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**PREFILE TESTIMONY OF  
MITCHELL LEW, M.D.**

DEPARTMENT OF PUBLIC HEALTH : DOCKET NO. 15-32017-486  
OFFICE OF HEALTH CARE ACCESS :  
 :  
OFFICE OF THE ATTORNEY GENERAL : DOCKET NO. 15-486-02  
 :  
IN RE: GREATER WATERBURY HEALTH :  
NETWORK, INC. – PROPOSED ASSET :  
PURCHASE BY PROSPECT MEDICAL :  
HOLDINGS, INC. : April 26, 2016

**PRE-FILED TESTIMONY OF MITCHELL LEW, M.D.**

**I. Introduction**

My name is Dr. Mitchell Lew and I am the President of Prospect Medical Holdings Inc. (“PMH”). I am here today to speak in support of the conversion application (the “Application”) regarding the proposed acquisition of assets of Greater Waterbury Health Network, Inc. (“GWHN”), including The Waterbury Hospital (“Waterbury”), by PMH. Specifically, I will address PMH’s proprietary Coordinated Regional Care (“CRC”) model and its ability to drive significant improvement in healthcare to the GWHN community.

Professional Role

In my role as President of PMH, I oversee PMH in its efforts to integrate our regional delivery systems among physicians, hospitals and payors. This includes the development, implementation and oversight of PMH’s CRC delivery systems in each of its regional markets. Prior to my current role, I served as CEO of Prospect Medical Systems and Prospect Medical Group, our management service organization and independent practice association, respectively.

Summary of PMH and CRC

PMH is a healthcare services company that owns and operates numerous health care systems across the nation working to benefit patients who access healthcare in our service areas.

PMH aligns its hospitals and physicians under a model referred to as the CRC model. CRC provides clinical integration among hospitals, physicians and other medical, social and community providers and works closely with health plans and other payors under a value-based, global risk reimbursement payment system. The goal is to achieve the triple aim of improved patient care and experience, better patient health, and lower costs.

PMH approaches each market by implementing three (3) simultaneous work streams. The three work streams are: (i) regulatory infrastructure; (ii) provider network development; and (iii) health plan engagement. The first work stream involves investigating and developing the regulatory infrastructure necessary in order for providers to assume and manage value-based risk contracts with health plans. The second work stream is provider network development which entails identifying participating providers and establishing the provider network, which may include the use of a Preferred Provider Network (“PPN”) required under law and preferred by health plans. A critical component of this work stream is the development of an independent practice association (“IPA”) affiliated with the health system. The third work stream is health plan engagement which involves close collaboration and contracting with health insurers.

PMH has begun to use its resources to commence CRC implementation efforts in Connecticut, including review of regulatory requirements, formation of an IPA entity, preliminary discussions with payors and evaluation of the care delivery network. PMH has formed an IPA called Prospect Provider Group CT-GWHN, LLC, which will be the IPA affiliated with the post transaction health system. PMH is currently developing the participation agreements for the IPA. PMH has also established a risk-taking entity called Prospect Health Services CT, Inc. Prospect Health Services CT, Inc. received its license to transact business as a PPN from the Connecticut Insurance Commissioner on October 21, 2015. PMH has also had preliminary discussions with

major payors in Connecticut to introduce the CRC model. PMH is optimistic that the discussions will result in most payors embracing the skills and expertise that PMH brings to the Connecticut market in its CRC model.

My remarks today will address how PMH's CRC business model will be beneficial to GWHN and supports the approval of the Application through (i) aligning physicians, hospitals, payors, community providers and all healthcare stakeholders; (ii) improving quality, (iii) improving efficiency, (iii) reducing costs, (iv) embracing health care reform, and (v) building comprehensive networks of care.

## **II. Community Benefits of the Transaction**

Prospect's acquisition of GWHN will enable GWHN to remain an economically viable and vibrant part of the health care system in the cities and towns served by GWHN and is expected to provide many benefits to patients. First, GWHN will no longer have a third party debt service obligations. Therefore, GWHN will be in a better position to re-invest in its facilities and equipment.

Furthermore, GWHN will gain immediate access to PMH's experience and knowledge in implementing a population health management model that will prepare GWHN to accept value-based contracts with government and third party payers with the triple aim of improved patient care and experience, better patient health, and lower costs.

Finally, as discussed in Section VIII, below, through the implementation of the CRC model, GWHN will invest in both expansion of access and services to its surrounding communities.

### **III. CRC Aligns Physicians and Hospitals**

The CRC model offers a critical benefit to the post transaction health system by fostering the alignment of physicians and hospitals. The CRC model utilizes meaningful collaboration of the medical staff and the community to provide better coordination of care. Along with the other hospital systems operated by PMH, Waterbury Hospital will realize many benefits from this physician/hospital alignment including increased physician involvement in governance, ability to accommodate various physician preferences for employment and affiliation, and ability to attract and retain physicians, including specialty physicians.

The alignment of physicians and hospitals under the CRC model includes physicians maintaining central roles in administration and overseeing the development of needed health services and oversight of the quality of care delivered to patients. In addition to stronger leadership and governance opportunities encouraged by the implementation of CRC, physicians will be supported with CRC care management programs to effectively manage patients' health needs.

The post transaction health system will benefit from PMH's status as a physician friendly company and, as part of the CRC model, PMH's aim to accommodate physicians' preferences for practicing medicine. PMH recognizes that some physicians prefer to be employed, some wish to remain independent but seek a hospital environment where independent physicians are valued, and others prefer to remain independent but work on a contracted or other basis in hospital-based clinics. PMH is able to provide the full range of options to physicians under the CRC model. As a result, PMH is able to attract and align both employed and independent physicians with the health system and the payor community. The CRC model is attractive for its physician alignment strategies, such as physician participation in an IPA or physician-hospital organization, hospital-based clinics staffed by independent contractor physicians, and opportunities to implement pay-

for-performance compensation arrangements which incentivize quality, patient satisfaction and better patient outcomes.

Additionally, the use of the CRC model improves PMH's ability to attract and retain physicians, including certain types of specialty physicians, to a community hospital setting that a community hospital may not be able to attract on its own. Under the guidance of the CRC model, PMH has been successful in recruiting physicians, including the most recent success in establishing an IPA in Rhode Island with 105 primary care practitioners and 270 specialist physicians. Of the 105 primary care practitioners in Rhode Island, only 18 were previously employed by the CharterCare System prior to its acquisition by PMH. The CRC model brings significant value to physicians because of PMH's experience and success with risk-based payment arrangements that continue to expand and replace the fee-for-service payment system. By implementing risk-based payment arrangements, all providers are more aligned to improve quality and achieve better patient outcomes all while maintaining efficiencies and cost savings.

The CRC model has been highly successful in aligning physicians with PMH hospitals and improving quality and efficiency in California, and local versions of the model have been implemented in Texas and Rhode Island with similar success. PMH's historical achievement with the CRC model supports PMH's successful implementation in the Waterbury service area.

Because the CRC model emphasizes physician engagement and is adaptive to all forms of physician participation, the CRC model is poised to better align physicians with hospitals than the traditional models now in place. By achieving such alignment, PMH and the post-transaction hospitals will include physician governance and ability to accommodate various physician preferences, as well as attract and retain specialty physicians.

#### **IV. CRC Improves Quality**

The aim of the CRC model is to offer patients highly coordinated, personalized care so they can live healthier lives. As the CRC model is implemented in a health system, patients experience improved quality care.

CRC improves quality by utilizing disease and care management programs, ensuring availability of urgent care, and utilizing case management across the continuum. All of the programs will enhance quality at the post transaction health system. For example, PMH will employ the CRC model to create programs to identify patients with significant co-morbidities and then design comprehensive medical and psychosocial high intensity care management services for their care.

The CRC model also promotes quality by building and managing a tightly integrated, coordinated health care system. For example, physician integration between practices and facilities improves communication between providers, patients and institutions; creates universal best practices, standards and metrics; and improves patient access to ancillary services. PMH has received recognition for its quality. I refer you to page 80 of the Application for a summary of PMH's quality awards.

CRC improves quality because the model focuses on providing patients coordinated and personalized care to improve health. Enhanced quality of care is accomplished by utilizing health management programs, encouraging treatment at appropriate facilities and building integrated systems to improve care coordination.

## **V. CRC Improves Efficiency**

The CRC model also promotes the efficient operation of hospitals and provider groups by aligning physician interests with the delivery of cost effective quality healthcare. One of the goals of CRC is to reduce the overall cost of healthcare by increasing preventative care and early interventions, reducing re-admissions, reducing inpatient utilization and reducing emergency room visits. CRC promotes physician incentives and focuses on promoting coordination and establishing payor relationships that incentivize efficiency.

The implementation of CRC involves rewarding physicians for positive quality outcomes, not output, via shared savings and pay-for-performance standards and benchmarks. These CRC physician incentives have proved effective in Southern California, Texas and Rhode Island - PMH has demonstrated improved clinical outcomes, higher quality scores, higher patient satisfaction, lower re-admission rates, lower average lengths of stay, and lower medical-cost ratios. Bringing CRC to the post transaction health system will involve the implementation of successful CRC best practices regarding efficiency that have been established among its member hospitals to reduce readmissions. CRC also enhances efficiency through uniform productivity and financial management. PMH expects to see similar success in the GWHN service area with the implementation of CRC efficiency efforts.

CRC involves the utilization of resources, systems, and efficiencies which are essential for long term success in the evolving health care marketplace. In order to offer high value health care (and participate in the emerging value-based payment models to provide cost efficient care) CRC focuses on establishing new relationships among providers across the continuum of care. Essentially, the appropriate level of care must be provided at the right time by the correct provider. To achieve this, CRC methods include, but are not limited to: (i) development and management of

an advanced, comprehensive care continuum delivery network; (ii) population health management with the identification of those patients requiring high intensity care and sophisticated care management programs; (iii) actuarial and health economics data analytics; and (iv) integrated information technology.

Overall, the CRC model promotes efficiency through its development of a coordinated system and through physician incentives to utilize PMH's coordinated system in the most effective and efficient manner while keeping the focus on quality.

## **VI. CRC Embraces Health Care Reform Changes**

Implementation of the CRC model allows a hospital or provider group to rebuild and retool itself for the new world of accountable health care delivery. The new model of health care is one that is evolving from federal mandates, changes in health care technology, patient demands, need for cost-containment, and evolving reimbursement models with are 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 healthcare they provide. The CRC model offers flexibility to adjust to health care reform and the post-transaction system will benefit from the experience PMH has in implementing and running the CRC model.

Health care reform requires physicians, hospitals and other health care providers to work together, ensuring that all caregivers in a healthcare system align themselves with the patient's wellbeing as the focus. The post transaction health system, under the CRC model, will be able to continuously develop and adjust to new methods of reimbursement and savings due to flexibility built within the model that allows for various forms of provider integration. Because CRC embraces health care reform changes, opportunities to further integrate care delivery among providers and regionalize the health care delivery system in the Waterbury Hospital service area

will be realized. In line with health care reform, PMH has developed and implemented high intensity care management programs within its CRC model that integrate behavioral and physical health capabilities to effectively manage the care of patients with significant co-morbidities. The result is identification of patients at risk and building upon existing initiatives within GWHN's system.

Additionally, PMH's experience in implementing CRC will better enable GWHN to meet the health care reform requirements of the Patient Protection and Affordable Care Act. For example, PMH dedicates resources (and keeps an open dialogue with payors) to ensure that its CRC efforts are reflective and integrative of the latest payor programs. This allows hospitals and provider groups to quickly adjust to the changing healthcare delivery environment. PMH has thirty (30) years' experience operating provider groups, such as IPAs, and working with health care insurers and will bring that experience to GWHN. PMH also has invaluable experience through its operation of hospitals and medical management organizations which will be applied to the post transaction health system.

In sum, CRC embraces health care reform because the CRC model is adaptable to the changing health care environment and PMH management has the experience and ability that result in successful healthcare systems.

## **VII. CRC Reduces Costs**

PMH does not anticipate any increase in costs to patients or insurers as a result of this transaction. PMH plans to assume GWHN's health plan contracts and through the implementation of CRC will add value and reduce costs. Implementing the CRC model requires the participation in evolving risk-based payment environment. As such, the CRC model will enable GWHN to be

successful with new risk-based payment systems and care delivery models that reward value-based care, achieving the best outcomes for patients at lower costs.

Health systems need to ensure efficient use of their assets to maintain a positive financial position and remain competitive. CRC achieves financial performance success by incentivizing physicians and patients to appropriately use urgent cares centers and to keep patients compliant with various homebound and other wellness programs. The result is keeping patients healthier while reducing the over-utilization of healthcare services. By utilizing appropriate care settings and resources, and managing chronic care patients, PMH avoids unnecessary, inefficient and duplicative services; and reduces medical errors which result in improved efficiency and cost savings. By implementing CRC in the post transaction health system, the cost of healthcare will be reduced for all healthcare stakeholders.

#### **VIII. CRC Builds Comprehensive Care Networks**

The application of CRC results in the establishment of comprehensive care networks. GWHN's implementation of the CRC model will provide a comprehensive care network by evaluating and promoting the management of care across a complete continuum in order to deliver services in the right place at the right time, aligning GWHN's physicians and other providers across this continuum of care, and developing integrated information systems.

As part of the CRC implementation process, PMH reviews the services offered by its systems and seeks to enhance or expand services. Such enhancements start with the development of primary care and specialty practices and the expansion of ambulatory offerings. These services provide more effective and resourceful alternatives to emergency room and hospital-based surgery. Further, CRC necessitates the management of patients with challenging chronic medical conditions, and keeps patients well in the appropriate care settings. By utilizing appropriate care

settings and resources and managing chronic care patients, PMH avoids unnecessary, inefficient and duplicative services and reduces medical errors which result in improved efficiency and cost savings.

The implementation of CRC will integrate and expand the GWHN's current network of providers and program offerings beyond what can be done currently by GWHN. Examples of development activities in Texas include: formation of a multi-specialty IPA; increasing behavioral health service capacity; expansion of hospital-based outpatient clinics; purchase of a rural hospital resulting in increased access to care; establishment of an emergency room; and leasing and converting additional space for expansion of services. In Rhode Island, PMH has accomplished the following: established an IPA with over 400 physicians, established a risk taking entity to accept delegation of health plan risk, purchased 28 primary care clinics, expanding access to care; joint ventured on a radiation-oncology center; expanded cardiac catheterization services, and worked closely with the Governor to launch a Medicaid pilot program. California is a mature market for PMH. More recent efforts to improve access to services in California include the following: purchasing a closed hospital in south Orange County (which PMH reopened in September 2015) to better serve patients who are members of PMH's owned or managed IPAs; and purchasing primary care and multi-specialty clinics to increase access to care. All of the above are examples of service line expansions and improving access to care. PMH will be able to achieve better care coordination of care for the GWHN community with the implementation of CRC.

CRC aligns GWHN's physicians and other providers across the continuum of care. The implementation of CRC improves the overall health of, and enhances the standard of care for, its patients. CRC encourages providers to be more clinically integrated with other care givers and enables patients to receive the right care, with the highest levels of quality, in the most appropriate

care setting. Through the development of the CRC and the attainment of these objectives, PMH will be successful in reducing unnecessary re-admissions, inpatient utilization, and emergency room visits which will translate into improved outcomes and lower health care costs for patients in the GWHN service area. For example, from 2012 to 2014 in California and Texas where PMH participates in HMO contracts for seniors, PMH has reduced hospital beds days per thousand from 1,260 to 720. Length of hospital stay for this population has been reduced from 5.1 days to 3.9 days, admissions per thousand have dropped from 245 per thousand to 182 per thousand and hospital readmissions within thirty days have dropped from 19% to 13%.

Lastly, CRC involves the development of integrated information systems and best practices to ensure that patient care is coordinated across many levels of care. By introducing CRC, PMH provides access to its evidence-based practices aimed at improving quality and patient safety. In its development of the post transaction health system, PMH will partner with the medical staff to address gaps in care and services to ensure the effective management of all patients across the network.

When CRC is implemented across a health care system, it involves the review of the levels of care offered and the development of any gaps in care, the coordination and alignment of providers across the system and the development and utilization of integrated information systems and best practices. All result in better quality outcomes for patients in a cost effective delivery system.

## **IX. Conclusion**

PMH's vision for Connecticut is to develop and maintain quality-driven hospitals with a robust network of aligned providers operating within its CRC platform. PMH's success in developing its CRC model comes by way of (i) aligning physicians and the hospitals, (ii)

improving quality, (iii) improving efficiency, (iii) reducing costs, (iv) embracing health care reform, and (v) building comprehensive care networks. The success of the CRC model in California, Texas and Rhode Island supports that there is a quantifiable benefit for implementing the CRC model in the GWHN service area. This proven success and projected success within GWHN from implementation of the CRC model supports the approval of the Application.

Thank you for your time and I welcome any questions.

**PREFILE TESTIMONY OF  
STEVEN ALEMAN**

DEPARTMENT OF PUBLIC HEALTH : DOCKET NO. 15-32017-486  
OFFICE OF HEALTH CARE ACCESS :  
 :  
OFFICE OF THE ATTORNEY GENERAL : DOCKET NO. 15-486-02  
 :  
 :  
IN RE: GREATER WATERBURY HEALTH :  
NETWORK, INC. – PROPOSED ASSET :  
PURCHASE BY PROSPECT MEDICAL :  
HOLDINGS, INC. : April 26, 2016

**PRE-FILED TESTIMONY OF STEVEN ALEMAN**

**I. Introduction**

My name is Steve Aleman and I am the Chief Financial Officer of Prospect Medical Holdings, Inc. (“PMH”). I am here today to speak in support of the conversion application (the “Application”) and the proposed acquisition of assets of Greater Waterbury Health Network, Inc. (“GWHN”), including The Waterbury Hospital (“Waterbury Hospital”), by PMH. Specifically, I will address PMH’s financial strength and the benefits of PMH financial resources to GWHN.

Professional Background

I currently hold the position of Chief Financial Officer for PMH. Since 2009, I have served in various capacities at PMH including Vice President of Corporate Development, Chief Financial Officer at Brotman Medical Center and Vice President Internal Audit at PMH. Prior to my employment at PMH, I was employed at Wellpoint Health Networks, Inc. (“Wellpoint”) for ten years in various capacities. My last position at Wellpoint was Staff Vice President, Corporate Risk and Assurance. I am also a Certified Public Accountant.

### Summary of PMH

PMH is a \$1.3-billion-dollar healthcare services company that owns and operates fourteen (14) acute care and behavioral hospitals in Rhode Island, Texas, California and (with the closing of our transaction with East Orange General Hospital on March 1, 2016) New Jersey. In addition, PMH has executed a definitive agreement to purchase a hospital system in Pennsylvania. PMH maintains or is developing a robust network of specialty and primary care outpatient centers in each of its regions.

### Long Term Debt to Equity Ratio

With respect to Exhibit Q5-1, page 1479, of the Second Set of Completeness Responses and the Long Term Debt to Equity ratio for PMH, the ratio's trend is positive as PMH consistently generated Net Income period over period thereby driving the negative equity balance (which had resulted from of dividend distributions) to positive as of FYTD 9/30/15. That growth in Net Income was a result of continued strong financial performance in both the Hospital and Medical Group segments. Ratios during this period fluctuate as negative equity decreases against fairly stable debt levels.

### Summary of Financial Benefits

My remarks today will address how PMH's financial resources and industry know-how are beneficial to GWHN and support approval of the Application through (i) PMH's ability to fund the transaction and GWHN's debts and obligations; and (ii) improving the post-transaction health system's access to capital.

## **II. PMH Has the Financial Ability to Fund the Transaction**

PMH has a proven record of financial success and is able to fund the transaction, allowing GWHN to fully satisfy its increasing debts and discharge its obligations as

outlined in the Asset Purchase Agreement (“APA”). This will allow future income generated from operations of the health system to be invested in equipment, technology, infrastructure, and expansion of health care services, rather than retirement of debt.

PMH is a \$1.3 billion healthcare organization and has the financial capacity to provide the capital necessary for this transaction without the need to enter into transaction-specific financing arrangements. PMH has access to existing corporate level credit in addition to its cash on hand. There is no financing contingency with respect to this transaction. The Applicants anticipate that this acquisition (after giving effect for the assumption of liabilities), will be funded with its existing cash. PMH has agreed to and has the financial capacity to assume and fund certain of GWHN’s debts and obligations; specifically, GWHN’s pension liability. GWHN’s portion of the unfunded pension liabilities with respect to its multi-employer defined benefit health plan (the Connecticut Health Care Associates Health Plan) are estimated to be at least \$27,000,000 and are approximately \$12,200,000 for the Cash Balance Plan. PMH’s post-closing guarantee of these pension obligations adds substantial additional security to the participants of the pension plans beyond what currently exists with GWHN as a stand-alone entity, and assures that all current and former employees of GWHN will receive their full pension benefit.

In sum, PMH can fund the transaction without any associated risk.

### **III. PMH Improves GWHN’s Access to Capital**

PMH has access to capital that will make the necessary investments and improvements in GWHN possible. PMH’s access to capital includes its favorable credit

lines and access to capital markets that will provide the necessary funding for GWHN's facilities.

PMH's access to capital includes a revolving line of credit with Morgan Stanley that has been preapproved and can fund the capital commitment amount in the APA. In order to draw on this line, PMH simply provides a 24-hour advance verbal notice to the lenders. PMH's excellent relationship with creditors will provide needed access to capital that GWHN does not currently maintain. This comes at a critical time as GWHN has experienced trouble obtaining financing and access to capital has impeded the expansion of programs and recruitment of providers. GWHN's capital needs are significant and necessary in order to recruit providers, offer the latest technology to be a competitive facility in the health care service area and perform needed physical plant renovations. Significant investments are also necessary for GWHN to develop new competencies and process skills and knowledge.

PMH has access to capital and will be investing the resources needed. PMH's access to capital markets that are not currently available to GWHN provides easier and quicker access to funding for replacements and upgrades to systems and infrastructure of the facilities. Capital needs at Waterbury Hospital are significant and cannot be met with current avenues available to GWHN for funding. Such investments include upgrades in technology in order to improve the collection and documentation of information and increase the availability of data for critical treatment decisions for patients; upgrades to the medical equipment and enhancements to provide 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. Without access to the capital that PMH will

provide, such provider recruitment, and facility upgrades and enhancement at GWHN will have to be delayed or even deferred. PMH's access to capital will provide the essential financial resources that GWHN has not been able to obtain on its own.

#### **IV. Conclusion**

In sum, PMH has a proven record of financial success and is able to fund the transaction as well as GWHN's increasing debts and obligations without placing the post-transaction health system at any unreasonable risk. PMH has access to capital that will help accomplish the needed investments and improvements in GWHN.

Thank you for your time and I welcome any questions.

**PREFILE TESTIMONY OF  
JONATHAN SPEES**

DEPARTMENT OF PUBLIC HEALTH : DOCKET NO. 15-32017-486  
OFFICE OF HEALTH CARE ACCESS :  
:  
OFFICE OF THE ATTORNEY GENERAL : DOCKET NO. 15-486-02  
:  
IN RE: GREATER WATERBURY HEALTH :  
NETWORK, INC. – PROPOSED ASSET :  
PURCHASE BY PROSPECT MEDICAL :  
HOLDINGS, INC. : April 26, 2016

**PRE-FILED TESTIMONY OF JONATHAN SPEES**

**I. Introduction**

My name is Jonathan Spees and I am the Senior Vice President of Mergers and Acquisitions at Prospect Medical Holdings, Inc. (“PMH”). I am here today to speak in support of the conversion application (the “Application”) and the proposed acquisition of assets of Greater Waterbury Health Network, Inc. (“GWHN”), including The Waterbury Hospital (“Waterbury Hospital”), by PMH. Specifically, I will address how PMH’s financial resources and healthcare expertise will benefit GWHN.

Professional Background

I currently hold the position of Senior Vice President of Mergers and Acquisitions for PMH. Previously, I was Senior Vice President with The Camden Group, where I was a National Practice Leader for mergers, acquisitions and affiliations. Prior to The Camden Group, I was Chief Financial Officer for the University of Southern California’s Keck Hospital of USC and USC Norris Cancer Hospital. I have also held positions as Senior Executive Vice President, Corporate Development and Finance, Founder of Merit Health Systems, LLC, a hospital management company, Managing Member of Abacus Ventures, LLC, and Managing Director of Shamrock Investments, LLC (both private investment and investment banking firms specializing in corporate

finance and mergers and acquisitions in the healthcare industry); Associate Director of Corporate Development for American Medical International; and audit manager and designated healthcare industry specialist for Deloitte Haskins + Sells, one of the eight largest public accounting firms worldwide at that time. I am also a Certified Public Accountant.

#### Summary of PMH

PMH is a \$1.3 billion dollar healthcare services company that owns and operates fourteen (14) acute care and behavioral hospitals in Rhode Island, Texas, California and (with the closing of our transaction with East Orange General Hospital on March 1, 2016) New Jersey. In addition, PMH has executed a definitive agreement to purchase a hospital system in Pennsylvania. PMH maintains and is developing a robust network of specialty and primary care clinics in each of its regions.

#### East Orange General Hospital

PMH acquired East Orange General Hospital in New Jersey on March 1, 2016. The financial terms of that transaction are a purchase price of approximately \$43 million dollars, including the assumption of liabilities; \$6.5 million was ultimately used to fund the East Orange General Hospital Foundation. The amount and duration of the PMH capital commitment is \$44 million over five (5) years. Funding for the approximately \$23.5 million in cash required at the closing was from a drawdown of PMH's revolving credit facility.

#### Crozer-Keystone Health System

PMH has entered into an agreement to buy Crozer-Keystone Health System ("CKHS") in Pennsylvania. The financial terms of the transaction are confidential but include a \$200 million capital investment in the medical centers over the next five (5) years and the assumption of the pension liability currently estimated at approximately \$120 million. The PMH CKHS transaction

requires PMH to keep open all licensed hospitals, including any campuses of a licensed hospital where inpatient acute care services are provided. CKHS has only two licensed hospitals, currently operating on five campuses. PMH's plan to fund the purchase price, capital commitment and pension liabilities is by increasing its corporate credit facilities and through funds generated from future operations of PMH, including CKHS. The transaction is currently undergoing regulatory review by the Attorney General of the State of Pennsylvania. A public hearing is scheduled for May 4, 2016 and PMH anticipates closing the transaction on or about June 30, 2016. Acquisition of CKHS is anticipated to have a positive impact on PMH's ability to meet its financial commitments in connection with the proposed GWHN and ECHN asset purchases by increasing our cash generated from operations and future ability to access the capital markets as needed.

#### Summary of Financial Benefits

My remarks today will address how PMH's financial resources and industry know-how are beneficial to GWHN and support approval of the Application through (i) putting the post-transaction health system in a positive financial position; (ii) adding stability to the Connecticut healthcare community; and (iii) allowing the post-transaction health system to build a comprehensive network of care.

#### **II. PMH Will Put GWHN in a Positive Financial Position**

PMH has successfully restored the financial position of many health systems by applying its data-driven, disciplined operating strategies, leveraging its corporate capabilities, and investing in growth. GWHN, like many community health networks, has experienced financial difficulties and has been seeking an affiliation with a larger, well-capitalized healthcare system for several years. GWHN has long standing financial challenges which began prior to 2005 with years of financial losses and that continue to this day. GWHN is in financial distress, has aged facilities

and lacks access to capital. Even after the execution of the Letter of Intent between PMH and GWHN, GWHN's liquidity and financial performance deteriorated. With the proposed asset purchase, PMH will provide sufficient capital to meet deferred, current and future capital needs for the Hospital's physical plant to ensure state of the art health care delivery services through an upgrade of facilities, equipment and technology. Prospect's capital and access to capital will mean that GWHN will have the financial resources to purchase new technology, upgrade its facilities, attract skilled providers, and upgrade electronic health records, in addition to investing in service line development, physician alignment and recruitment and development of increasing ambulatory access. PMH has also agreed to fully assume the pension benefit plans of the GWHN employees.

### **III. Financial Security Offered by PMH Provides Stability and Support for the Needs of the Community and its Access to Health Care**

The financial security that PMH will bring to the post-transaction health system will resonate through the community. Our investment in developing GWHN's delivery network will allow patients to receive their care locally as opposed to facilities owned by competitors in Hartford and other communities outside Waterbury. A positive financial position and growth of GWHN's delivery network will allow the post-transaction health system to offer continued levels of employment that are critical to the local economy. Waterbury Hospital is a large employer in its market and, as such, the financial success of the hospital leads to a more financially secure community.

Prospect has agreed to operate Waterbury Hospital as an acute care hospital. The hospital will have a local advisory board that will permit continued community involvement in operations. Additionally, PMH has agreed to maintain and adhere to GWHN's current policies regarding charity care and indigent care, or adopt other policies that are at least as favorable to the community

as GWHN's current policies – which are generally comparable to charity care policies at PMH's other hospitals (as determined by local leadership at the hospital). PMH's ability to successfully operate the post-transaction health system and thus continue to offer charity care at current levels provides a positive community benefit for indigent and needy populations in the service area. Furthermore, PMH's Coordinated Regional Care model of population health management and preventative medicine will result in more access to outpatient care.

Regarding PMH's history of community benefit, a number of PMH hospitals are "safety-net hospitals." In fact, PMH is a member of Private Essential Access Community Hospitals ("PEACH"). PEACH is a network of private, core safety net hospitals in California that care for disproportionate share or low income, medically vulnerable patients. PMH intends to bring this spirit of community support and benefit to The Waterbury Hospital.

Further, the financial security offered by PMH results in the continued support of community building activities in the Waterbury area. In accordance with the provisions of the Asset Purchase Agreement ("APA"), PMH will commit to spend within seven (7) years of the closing not less than \$55,000,000 (less the amount not to exceed \$3,500,000 of Capital Lease Obligations assumed by Buyer at Closing in excess of \$3,000,000) in capital for the benefit of the health system. These expenditures may include: (i) capital projects, including routine and non-routine capital expenditures, at, or for the benefit of, the hospital businesses and/or the acquisition, development and improvement of hospital, ambulatory or other health care services in the greater Waterbury, Connecticut community, which shall include, for the avoidance of doubt, expenditures relating to the implementation of PMH's coordinated regional care model ("CRC") and physician recruitment. PMH's investments in the post-transaction health system provide financial security

and support to the community by way of continued employment, facility upgrades, an expanded and aligned physician network and improved ambulatory access.

Because GWHN's cash reserves have declined in the past year, and in order to assure that there is adequate cash available at closing of the proposed transaction to pay off GWHN's secured debt, PMH has agreed to make two significant changes to the draft APA which was included in the initial CON filing:

1. To provide that the calculation of the Purchase Price pursuant to Section 2.05 will not be less than zero;
2. To eliminate the Indemnification Holdback Amount (\$4,500,000).

If PMH assumes liabilities pursuant to #1, or incurs unreimbursed post-closing indemnification claims (because there is no Holdback) pursuant to #2, the capital commitment can be reduced, but not by more than \$9,500,000. Based on current estimates, the capital commitment would be reduced by approximately \$2,000,000; however, this figure is subject to change based on GWHN's operating results from March 31 to the closing and if there are any post-closing amounts due from GWHN to PMH. Changes to the Letter of Intent and the APA are currently being drafted and will be filed when complete.

#### **IV. PMH's Financial Resources Will Aid the Post-Transaction Health System in Building Comprehensive Networks of Care**

PMH's financial position will enable the post-transaction health system to have access to resources for the purpose of integrating and expanding the network of providers and program offerings beyond what exists today. Fostering an environment that aligns physicians and other providers across the continuum of care provides access to evidence-based practices to improve quality and patient safety, enhances efficiency through uniform productivity and financial

management, and develops integrated information systems. PMH has access to the financial resources required to develop stronger integration with provider affiliates to coordinate care, create new access points by expanding outpatient services, improve the overall population health and enhance the standard of care for its patients. Our care model actually lowers overall healthcare costs by keeping people healthy, providing care more efficiently, reducing unnecessary hospitalizations, and providing needed care in the right setting at the right time. My colleague, Dr. Mitchell Lew, will discuss in detail PMH's Coordinated Regional Care model which, when successfully implemented, lowers the overall cost of healthcare for consumers, insurers and government payers versus traditional fee-for-service models.

Stand-alone providers have special challenges containing costs while delivering quality care. Without the appropriate financial resources that a national system provides, independent providers struggle to be both effective and efficient. GWHN has had difficulty recruiting and retaining providers to GWHN's service area and has suffered while its competitors both locally and from Hartford and Danbury have hired its physicians and developed ambulatory facilities which benefit communities other than Waterbury. PMH has the financial ability to make the necessary investments in infrastructure and personnel to establish the continuum of care needed to develop a highly integrated and successful health system.

**V. Community Health Needs Assessment.**

PMH specializes in building comprehensive networks of quality healthcare services designed to meet the needs of the communities it serves. PMH's goal is to best serve the healthcare needs of both the communities in which PMH currently operates and of the communities in other states like Connecticut where PMH seeks to grow.

The performance of a Community Health Needs Assessment (“CHNA”) is a requirement for tax-exempt hospitals in order to maintain this tax status or designation. The performance of a CHNA does not guarantee that identified community needs will be met by a tax-exempt hospital. PMH is not seeking to continue the tax exempt status of any of the entities in the GWHN transaction nor does the GWHN transaction involve a tax exempt joint venture partner. It should be noted that PMH has never been required to conduct a formal Community Health Needs Assessment post-conversion or acquisition of a nonprofit hospital. Although PMH is not tax exempt and therefore not required to engage in a CHNA, PMH recognizes that reputation in the community and thus its long term success depends on meaningfully investing in and providing needed care to the communities it serves. PMH is constantly identifying and developing resources to serve current and future healthcare needs in the communities it serves. PMH strives to improve and strengthen programs and services it provides. Furthermore, PMH’s focus on preventative medicine and population health management improves access and enables PMH’s hospitals to address the health needs of its communities. As stated above, PMH focuses on building comprehensive networks of care that address the community’s needs.

PMH, and more importantly, our local management teams, work closely with their Local Boards to assess and determine the community health needs of the population served and how to best implement programs to address these needs. The use of the Local Board allows for wide-spread public input and collaboration with other health care providers in the community. It is PMH’s intention to involve the Local Board in assessment processes as a way to facilitate public input and to publicly disseminate, via the website or other means, final assessments and implementation plans.

## **VI. Conclusion**

The approval of the conversion application and proposed transaction will (i) put GWHN in a positive financial position; (ii) allow PMH's investments in the post-transaction health system to provide financial security and support to the community, and (iii) enable the post-transaction health system to have access to resources for the purpose of integrating and expanding the network of providers and program offerings beyond what exists today.

Thank you for your time and I welcome any questions.

**RESPONSE TO ISSUES IDENTIFIED IN HEARING  
NOTICE**

Greater Waterbury Health Network, Inc. ("GWHN") and Prospect Medical Holdings, Inc. ("Prospect" or "PMH") (GWHN and Prospect are referred to collectively as the "Applicants") submit the following responses to the Issues requested by the Office of the Attorney General and Office of Health Care Access on April 13, 2016.

1. **With respect to PMH's recent acquisition of East Orange General Hospital in New Jersey, please describe the financial terms of that transaction, including without limitation, the purchase price and amount and duration of any capital commitments. Please also describe the funding sources used by PMH to pay the purchase price and those that will be used to fund any capital commitments or other material financial obligations of PMH at East Orange General Hospital.**

**Response:**

PMH acquired East Orange General Hospital in New Jersey on March 1, 2016. The financial terms of that transaction are a purchase price of approximately \$43 million dollars, including assuming liabilities, \$6.5 million of which will be contributed to the East Orange General Hospital Foundation. The amount and duration of the capital commitment is \$44 million over five (5) years. The funding for the approximately \$23.5 million in cash required at the Closing was from a drawdown of PMH's revolving credit facility.

2. **PMH has entered into an agreement to buy Crozer-Keystone Health System in Pennsylvania. Under the reported terms of the agreement, PMH is pledging to keep all five Crozer-Keystone hospitals open and invest \$200 million in the medical centers over the next five years in capital commitments as well as assuming Crozer-Keystone's outstanding pension liability of \$100 million. Please provide an update on the status of this proposed acquisition addressing, in particular:**
  - a. **the financial terms of the transaction;**
  - b. **PMH's plan to fund the purchase price, capital commitment, pension liabilities and other material financial obligations associated with the transaction;**
  - c. **the status of any necessary governmental or non-governmental approvals connected with the transaction;**
  - d. **the anticipated closing date; and**
  - e. **the impact that the transaction will have on PMH's ability to meet its financial commitments in connection with the proposed GWHN and ECHN asset purchases in Connecticut.**

**Response:**

Please note the PMH Crozer-Keystone transaction requires PMH to keep open all licensed hospitals, including any campuses of a licensed hospital where inpatient acute care services are provided. Crozer-Keystone has only two licensed hospitals, currently operating on five campuses.

PMH has entered into an agreement to buy Crozer-Keystone Health System ("CKHS") in Pennsylvania. The financial terms of the transaction are confidential but include a \$200 million capital investment in the medical centers over the next five (5) years and the assumption of the pension liability currently estimated at approximately \$120 million. PMH's plan to fund the purchase price, capital commitment and pension liabilities is by increasing its corporate credit facilities and through funds generated from future operations of PMH, including CKHS. The transaction is currently subject to regulatory review by the Attorney General of the State of Pennsylvania. A public hearing is scheduled for May 4, 2016 and we anticipate closing of the transaction on or about June 30, 2016. Acquisition of the Crozer-Keystone Health System is anticipated to have a positive impact on PMH's ability to meet its financial commitments in connection with the proposed GWHN and ECHN asset purchases by increasing our cash generated from operations and future ability to access the capital markets as needed.

3. **With respect to the surveys of PMH's Southern California Hospitals completed on 4/21/14, 8/21/14, 9/25/15 and 12/22/15 as well as the survey of Los Angeles Community Hospital ("LACH") completed on 11/10/15 that resulted in the California Department of Health declaring Immediate Jeopardy situations to exist, please identify when GWHN first learned of each Immediate Jeopardy determination. Please also discuss GWHN's due diligence after having learned about the Immediate Jeopardy determinations and the conclusions based upon that due diligence.**

**Response:**

PMH's quality issues in the California hospitals became known when they were disclosed to GWHN as part of Prospect's response to the ECHN completeness questions in late 2015 and OHCA/AG asked GWHN about these issues in its completeness questions to GWHN in January 2016. In early February 2016, PMH initiated several calls with WH's management team and counsel to detail the CMS deficiencies at Culver City and Los Angeles Community Hospitals, and its plans for investigation and remediation.

These quality issues were reported to the WH Board in Executive Session on February 11, 2016. In response, GWHN's Board Chair appointed a task force ("Task Force") comprised of four Trustees who are physicians, the Medical Director of Performance Improvement, the Chief Nursing Officer and the Director of Performance Improvement. The appointees all had significant expertise in the areas of regulatory surveys, CMS Conditions of Participation and hospital quality standards. The goal of the investigation was to review the materials and undertake such diligence that they believed appropriate and report their findings back to the Board together with a recommendation about whether to proceed with the transaction.

To accomplish this goal, the Task Force requested, received and reviewed extensive amounts of information from PMH, including past regulatory surveys for its hospitals in California, Texas and Rhode Island, its corrective efforts in those hospitals, and its year over year quality metrics and documentation of the quality improvement programs for those hospitals. The Task Force focused in particular on the surveys of PMH's California hospitals dealing with Immediate Jeopardy findings.

In addition to these investigatory efforts, the GWHN quality review team requested, and PMH made available, members of PMH's management to be interviewed. They provided extensive detail on the root causes of the Immediate Jeopardy issues in California and the remediation efforts that had been completed or were actively under way to address those issues. A number of meetings were held.

In addition to a lengthy study of the CMS Survey results and interviews, with senior PMH members, GWHN team made site visits to California and Rhode Island. GWHN's President/CEO and Chief Operating Officer and the Vice President of Alliance Medical Group travelled to California and visited Los Angeles Community Hospital, Culver City, and interviewed the senior team onsite. The Task Force gave special attention to the experiences of PMH's CharterCARE hospitals, Roger Williams Hospital and Our Lady of Fatima Hospital, both of which are located in Providence, Rhode Island, and thus are the closest to GWHN geographically. The GWHN reviewers found not only that the CharterCARE programs were of high quality, but that they had been enhanced in notable, positive ways rather than cut back after PMH's acquisition.

The Task Force presented its report and recommendations to the Board of Directors on April 14, 2016. There was a thorough question and answer session and an examination of the recommendations. The Task Force recommended that GWHN seek written assurances from PMH about the continuation of certain quality programs and the prospective obligation to undertake other actions. The Task Force recommended that GWHN seek a commitment from PMH that GWHN's patient quality, patient experience and safety programs be maintained, and if possible, be improved. PMH has agreed to continue GWHN's patient quality, patient experience and safety programs and also to facilitate collaboration with other PMH hospitals, including allowing GWHN to benefit from sharing best practices among the Prospect hospitals in the northeast and nationally. Based on the information learned and the protections gained from this additional commitment from PMH, the task force recommended, and the Board confirmed, GWHN's commitment to proceed with the transaction.

4. **Please provide an update on the status of any subsequent surveys and findings of the CDOH with respect to the Statement of Deficiencies issues in connection with the 12/22/15 of Southern California Hospital at Culver City and the March 23, 2016 letter to LACH informing LACH that it continues to be out of compliance with respect to the CMS Conditions of Participation for hospitals in the areas of Nursing Services and Infection Control.**

**Response:**

**Southern California Hospital at Hollywood:**

The credible allegation of compliance was submitted on March 22, 2016 related to the CMS full validation Survey that was conducted on December 18th – 22nd, 2015.

The Resurvey by CMS was conducted on April 4th – 8th, 2016.

We are awaiting the CMS results.

**Los Angeles Community Hospital:**

The Hospital submitted its credible allegation of compliance regarding the deficiencies identified in the CMS Correspondence dated March 23rd, 2016 on April 7th 2016.

CMS is in the process of conducting their survey based upon the April 7th 2016 plan of correction the week of April 25th, 2016.

5. **In the Application at page 84, PMH has committed to continue to provide financial support for community building activities in the Waterbury area. Particular community services and benefits currently provided by Waterbury Hospital, such as the Food for Life Program, are possible via funding through state, federal, or private grants. Please describe the extent to which GWHN has explored its ability to keep these programs grant funded if Waterbury Hospital is converted to for profit status and any role the Independent Foundation being formed as a part of this proposal might play in sustaining any grant-funded activities.**

**Response:**

GWHN has reviewed every grant and identified which could continue to flow to a for profit entity, and identify which could not. In the event the grant could not continue to flow to a for profit hospital, GWHN has made or is in the process of making alternative plans to ensure the continuation of services that are being provided to members of our community.

Most notable is the Ryan White grant which serves 700 HIV clients. Many hours of research and negotiations have gone into ensuring the future viability of this important community service. This HRSA grant cannot flow to a for profit entity. GWHN has entered into an agreement with the nonprofit Staywell Community Health Center which will serve as the fiscal agent, and become director of this clinic. Staywell will then buy services from the post closing hospital and its affiliates to ensure the patient/caregiver relationship not be disrupted. The Ryan White Clinic at Waterbury Hospital is an important community service and we are very pleased with the resolution. It is through these grant dollars that the Food for Life Program allows HIV patients access to fresh produce at the Brass City Harvest farmers market which is open to the public at Waterbury Hospital every Friday.

Bridge to Success: As an active participant in the community-wide Bridge to Success program, GWHN provides classes and support to students and their parents on a wide range of topics. The Summer Bridge program provides onsite education to at risk youth to prepare them to take the SAT. Many of the children start this program in the sixth grade and continue through high school. Additionally, the hospital provides Parents' Leadership Institute and Children's Leadership Institute in English, Spanish and Albanian. These courses help students become advocates for themselves, for their communities and for their families. The source of funding for these courses may be at risk. Therefore, GWHN has come to an agreement with Naugatuck Valley Community College to become the sponsor of these important courses that will continue to meet on the Waterbury Hospital campus.

Finally, the Childcare Center of the Greater Waterbury Health Network is not part of the proposed transaction. To ensure its long term viability, GWHN is currently in discussion with two potential nonprofit organizations that may be able to bring the center into their operations with little to no disruption. A recommendation is forthcoming from the Childcare Center board.

Several grants will continue to flow directly to post closing Waterbury Hospital.

The new Independent Foundation may have fund raising activities in the future and that Independent Foundation will determine where its funds best be used.

6. **With respect to page 1465 of Applicants' February 16, 2016 responses to completeness questions (the "Second Set of Completeness Responses"), please elaborate on the specific circumstances that contributed to the declines in inpatient and outpatient surgical cases between FY 14 and FY 15 and the overall decline in total outpatient cases over the same period which led to a deficit in revenues over expenses of \$21,995,334 in FY 15 --a deficit increase of approximately \$15.7 million for Waterbury Hospital over the prior fiscal year. In addition, please discuss the current profitability of Waterbury Hospital and how the Applicants intend to address these declines in volume and net patient service revenue post-closing.**

**Response:**

**OUTPATIENT SURGERY DECLINE.** Following the termination of the Tenet deal in December of 2014, there was significant uncertainty about the future of health care in the greater Waterbury area. In reaction to this uncertainty, several Waterbury Hospital affiliated surgeons bought into a physician-owned outpatient surgery facility in Southington in January of 2015. In addition, Saint Mary's Hospital bought one of the two GI practices in Waterbury and shifted all of their business to Saint Mary's causing a decline in the GI cases at Waterbury Hospital. Year over year, all surgical cases at Waterbury Hospital fell 9.87% while outpatient surgery fell 10.5%.

**OVERALL OUTPATIENT BUSINESS DECLINE.** Emergency room visits fell by 3,053 (5.69%); specifically, ED cases "seen and discharged" were down 3,266 (7.46%). This decline is primarily due to the increase of walk-in /urgent care business in the area. Overall outpatient volume (excluding ED) was down 7.1%.

**CURRENT PROFITABILITY OF GWHN AND THE HOSPITAL.** As the losses mounted in FY 2015, the Hospital contracted with The Camden Group to conduct an assessment of operations and recommend potential areas to reduce costs. In addition, the Hospital negotiated increases in managed care contracts, became eligible for additional Medicare revenue through an increase in the Medicare wage index due to being reclassified from New Haven County to Nassau County in New York with all New Haven County hospitals, and implemented numerous cost savings measures (see chart below). The total of all initiatives is \$26.2M. These initiatives have resulted in improvement. Through March 31, 2016 (6 months of operations), the overall Network has net income of \$834,583, while the Hospital has net income of \$5,623,041.

2016 Economic Improvements Budgeted

<u>Specific Examples</u>	<u>Revenue Initiatives</u>	<u>Expense Initiatives</u>
Medicare Inpatient	\$4,900,000	
Medicare Outpatient	869,000	
Managed Care Contracts	3,600,000	

Elimination of 403b match		560,133
Reduced salaries (5, 7, 10, 20%)		3,446,494
Materials Management Improvement		575,000
All other items		12,264,532
<b>Totals</b>	<b>9,369,000</b>	<b>16,846,159</b>

GWHN continues to monitor all initiatives replacing ideas that were not successful with new initiatives as the year evolves.

7. **With respect to Exhibit Q5-1, page 1479, of the Second Set of Completeness Responses and the Long Term Debt to Equity ratio for PMH:**
- a. **Please explain the ratio's downward trend from a negative 37.0 in FYTD 7/31/14 to an even higher negative ratio of 349.8 in FYTD 9/30/14; and**
  - b. **elaborate on the steps or initiatives taken that contributed to the ratio's increase between FYTD 9/30/14 and FYTD 9/30/15 from a negative 349.8 to a positive 11.6.**

**Response:**

Please note that the referenced trend is not downward and merely a mathematical result of reduced negative equity against a relatively stable debt total.

Negative equity occurred as a result of dividend issuances in years prior. Equity moved from <\$11,410>, to <\$1,206> to positive \$36,440 as a result of positive net income during the measurement periods.

The positive net income trend was primarily due to improved performance in the Hospital and Medical Group Segment business and financial operations.

8. In reference to the Financial Worksheets submitted as Exhibit Q6a-1 to the Second Set of Completeness Responses, please explain the zero incremental gains/losses associated with this proposal for GWHN when in Applicants' initial October 28, 2015 submission, pps. 1167-68, a Financial Worksheet for GWHN was submitted that included incremental amounts associated with this proposal.

**Response:**

When the response was submitted in the second round of completeness questions, we submitted the information as GWHN only without the incremental with CON which is what we thought was the proper response. The incremental revenue included in the original filing is still accurate.

9. Provide annual cash flow that would be generated and become available to support capital projects over the next five years at Waterbury Hospital as a result of PMH's addressing GWHN's debt and pension obligations.

**Response:**

No change is anticipated in cash flow related to PMH's assumption of the GWHN pension obligations. Repayment of the GWHN secured debt as of the Closing will eliminate approximately \$1.6 million of annual debt service payments, which will allow future income generated from GWHN operations to be invested in capital and growth, rather than retirement of debt.

10. Please provide a list of critical, immediate (over next 2-3 years) capital needs at The Waterbury Hospital.

**Response:**

**Immediate Capital Needs: First two – three years**

**Patient Safety – Critical – In Order**

1. Monitors in ER	\$600,000
2. ER architects/plan	\$200,000
3. Nuclear Med	\$450,000
4. Fetal Monitors	\$145,000
5. EKG	\$550,000
6. Defibrillators	\$240,000
7. Jackson tables (2)	\$200,000
8. Nurse Call/ED	\$220,000
9. Bed replacements	\$360,000
10. Med Cart Replacements	\$150,000
11. Begin anesthesia update	\$120,000

**TOTAL \$3.235 million**

**Patient Safety – Second Tier**

1. Bed replacements
2. Complete anesthesia
3. Cardiac stress
4. Isolettes
5. GI equipment
6. OR bed replacements
7. Digital radiology
8. Mobile digital radiology
9. Patient monitors/Reed
10. OR lights
11. Med cart replacements

OTHER [1]

ER- radiology bldg. project

Hybrid interventional room

Outpatient site 1

Maternity Department upgrade

Outpatient surgery center

Outpatient site 2

[1] The capital needs described above have not been reviewed by PMH, other than at a high level. Although such capital needs appear reasonable, final allocation of the capital commitment will be made post-closing based on PMH's strategic and capital planning process and considering the overall needs of the community, its population health, the delivery network, the GWHN facilities, and other relevant factors.

11. **Please provide a complete description of the Local Board, including, but not limited to, its composition, the process for appointment and replacement of members of the Local Board, and how it will function regarding oversight of quality assurance in conjunction with the Hospital Board and PMH's corporate quality team.**

**Response:**

The Local Advisory Board is to be formed by PMH and composed of 9-12 members. The Chief of the Medical Staff and the Head of Clinical Quality will serve as *ex officio* members. A member of the Board of Director of the local Prospect affiliate will serve on the Local Board, too. The composition of the Local Advisory Board will be diverse, taking into account, work and life experience, gender, sexual orientation, age, cultural, economic, ethnic, religious and racial background, residency and other factors.

The Advisory Board's duties are outlined in the Asset Purchase Agreement.

The Asset Purchase Agreement provides that the Local Board will:

.....(i) make recommendations and suggestions to Buyer regarding the mission, vision and value statements with respect to the Hospital and the Hospital Businesses; (ii) make recommendations and suggestions with respect to medical staff credentialing, disciplinary action of staff physicians, and compliance with accreditation requirements; (iii) provide input on policies and clinical programs; (iv) provide input in the development and review of strategic plans; (v) provide input on operating and capital budgets; (vi) provide input and support physician recruitment efforts; (vii) provide input on succession plans for executive leadership at the Hospital; (viii) promote community health initiatives, fostering community relationships and identifying service and education opportunities; and (ix) monitor the commitment to maintain and improve quality indicators. [Section 6.12]

.....work together with the Local Board and medical staff of the Hospital to preserve the existing staff membership and the current privileges of each physician, as well as the medical staff leadership. [Section 6.14]

A description of the Corporate Quality Program, including an organizational chart, provides an overview regarding how quality assurance will function in conjunction with the Hospital Board and PMH's corporate quality team. Pursuant to a Quality Assurance Agreement (provided under separate cover), PMH has agreed to maintain the respective quality program and goals of Waterbury Hospital for a period following the transaction. PMH is also committed to provide the necessary staff to support such quality programs. In addition, PMH agrees to share the best practices at its other facilities with Waterbury Hospital.

# **PRESENTATIONS FOR MAY 3, 2016 HEARING**

# THE PROPOSED TRANSFER OF ASSETS OF GREATER WATERBURY HEALTH NETWORK TO PROSPECT MEDICAL HOLDINGS

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*Presented to the Office of the Attorney  
General and the Department of Public  
Health's Office of Health Care Access*

*May 3, 2016*

01644

# Proposed transaction: Prospect Medical Holdings buys GWHN assets

- **Overview of our Process**

- Carl Contadini, Chairman, Board of Directors, Greater Waterbury Health Network

- **GWHN Today and Future Plans**

- Darlene Stromstad, FACHE, President/CEO, Greater Waterbury Health Network
- Susan Cordeau, BS, RN, Director, Performance Improvement, Waterbury Hospital

- **Medical Staff Involvement**

- Carl Sherter, MD, Former Chief of Staff, Member of GWHN Board Transaction Committee

- **Representatives from Prospect Medical Holdings**

01645

# OVERVIEW OF OUR PROCESS

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Carl Contadini, Chairman, Board of Directors  
Greater Waterbury Health Network

01646

# Long journey

***GWHN Board began reviewing options for sustaining the organization more than 10 years ago***

- 2005: Commissioned study on merger with Saint Mary's Hospital (SMH)
- 2006-07: Discussions between GWHN & SMH
- 2007: Draft OHCA report recommends consolidation of two hospitals
- 2008: Unable to reach agreement, discussions end

# Sense of urgency

- 2009: GWHN defaults on CHEFA bond covenants
- 2010: Board engaged consultants to analyze projected capital needs; anticipated cash would be depleted by 2015
- 2011: Board forms task force to chart future course of GWHN; new CEO hired
- 2011: Investment advisors – Cain Brothers – selected to lead process to cast net for potential partners
  - Priority was sustainable, high quality, accessible healthcare

# Proposed venture: LHP, GWHN & SMH

- 2011: Two finalists selected – Vanguard Health and LHP
- 8/2011: LHP, which had an LOI with SMH, was selected based on its promise to build a new hospital
- 2011-12: Work continues on merger of two Waterbury hospitals
- 8/2012: LHP terminates relationship with both hospitals; leaves Connecticut

# And the next chapter

- 8/2012: GWHN task force regroups, meets with SMH to explore any possibility to work together  
No path forward identified
- Fall 2012: Task force again goes back into market; reaffirms priority to provide sustainable, high quality, accessible healthcare with a commitment to invest in outpatient service strategy, physician recruitment, capital upgrades
- Fall 2012: Two finalists interviewed – Vanguard Health and Prospect Medical Holdings
- 10/2012: Vanguard Health selected

01650

# Process continues

- August 2013: Vanguard announces strategic alliance with Yale New Haven Health System
- October 2013: Tenet Healthcare purchases Vanguard
- July 2014: Tenet announces inclusion of SMH in deal (two separate hospitals in Waterbury under one parent company)
- October 2014: GWHN public hearing held
- November 2014: Transaction approved with over 70 conditions
- December 2014: Tenet announces departure from CT
- January 2015: In spite of political overtures, Tenet departure final

01651

# New strategy & Prospect Medical Holdings

- ***GWHN defines two-part strategy:***
  - *rebuild the organization*
  - *simultaneously identify potential partners*
- Spring 2015: Limited pool of potential partners
- 5/2015: LOI with Prospect Medical Holdings announced
- 8/2015: GWHN holds first public hearing
- 12/2015: GWHN enters into a forbearance arrangement with its bondholder

01652

# Overview of transaction

- **Approximately \$45 million purchase price, subject to certain adjustments**  
(cash, assumption of certain liabilities, such as pension)
- **Approximately \$55 million capital commitment, subject to certain adjustments**
  - Facility improvement
  - Equipment updates
  - Development of Coordinated Regional Care model

# Overview of transaction

- **Included**

Substantially all assets including hospital, physician practices, joint ventures, real estate
- **Excluded**

Restricted funds, charitable assets, child care center, captive insurance company, inactive entities, certain liabilities

# Overview of transaction

***Prospect Medical Holdings, Inc. to buy substantially all assets of GWHN***

- Continued operation of Waterbury Hospital
- Continued involvement of an advisory board that includes community representatives
- Capital investments to improve facilities and equipment and physician recruitment and network
- Hire all employees and assume contracts
- Continuation of charity care and indigent care
- Establishment of community foundation to oversee certain charitable funds



01655

# The Community Foundation

- A new, totally independent foundation will be formed
- Hold or receive the benefit of certain charitable assets
- Receive net proceeds of sale
- No post-closing liabilities

# GWHN TODAY & FUTURE PLANS

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Darlene Stromstad, FACHE

President/CEO, Greater Waterbury Health Network

01657

# 2015: Implications of Tenet's Departure

- Organization had suffered deeply from the departure of Tenet
- Employees left
- Physicians changed allegiances, some invested in competitive surgery centers
- Dual challenge of running a high quality hospital with decreasing funds and working on a new deal

# Focused goals

- **Chose Prospect for several reasons:**
  - Understand the regulatory environment of the Northeast
  - Address immediate needs while making a long-term commitment for growth
  - Offer least disruption to our services and employees
  - Had experience in new models of healthcare payment and delivery
  - Successful in Rhode Island



01659

# Aligned mission

- Industry dramatically changing, moving from fee-for-service to value-based
- Reimbursement changing – and it is not getting any easier
- Enormous pressure on hospitals like ours
  - simultaneously addressing financial stresses while adapting to a new payment and delivery system

# Greater Waterbury Health Network

- The Waterbury Hospital
- VNA Health at Home
- Greater Waterbury Management Resources
- Greater Waterbury Health Services
- Alliance Medical Group
- Cardiology Associates of Greater Waterbury
- Access Rehab Centers
- Imaging Partners
- Waterbury Gastroenterological Co-Management
- Harold Leever Cancer Center
- Heart Center of Greater Waterbury
- Greater Waterbury Imaging Center
- Valley Imaging Partners



01661

# Who We Serve

- 12,000 people are treated at Waterbury Hospital as inpatients
- 180,000 individuals are treated on an outpatient basis
- 54,000 visits are made to the Emergency Department
- 134,000 visits are made to our employed, community physicians
- 2,300 patients are cared for by VNA Health at Home
- 150,000 patients are treated at Access Rehab Centers
- Region's most comprehensive behavioral health services
- Comprehensive HIV/AIDS program, with largest HIV primary care clinic in Northwest Connecticut, serving over 450 patients annually



# Greater Waterbury Health Network

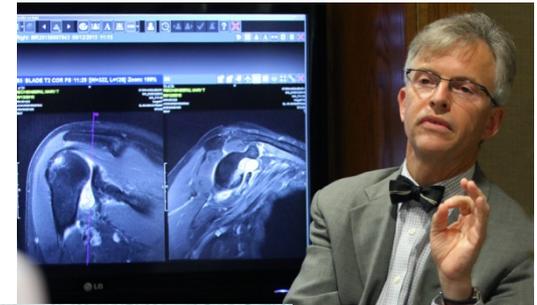
- Financially and operationally stable
- No access to capital to be competitive and sustainable
- Proud history – 126 years – of providing world class, high quality healthcare in a teaching environment
- Care for some of the state's most at-risk population; ***and are proud to be their advocate***

# Prospect partnership

- Strong medical staff partner
  - IPA already has 300 plus members
- Long history of population health management
  - discussions with health plans underway
- Access to capital
  - plans underway for capital projects and upgrades

# Our relationship with Prospect

- **Prospect meets our original goals of:**
  - **Sustainability**
    - Access to capital, in this for the long-haul, experienced healthcare company, demonstrated commitment to the Northeast
  - **Accessibility**
    - Charity care, continuation of services, physician recruitment, outpatient service development
  - **High quality healthcare**
    - Reassurances that our quality initiatives, staff and investment will never be less



01665

# Ensuring high quality healthcare into the future

- In late 2015, GWHN learned of CMS violations at Prospect's California hospitals. Board task force led further due diligence on quality assurance and performance improvement
- Rigorous process put in place to review Prospect's plan and processes for ensuring high quality healthcare

# QUALITY OF CARE: DUE DILIGENCE PROCESS

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Susan Cordeau, BS, RN

Director, Performance Improvement

Waterbury Hospital

01667

# Close scrutiny of quality

- Task force of seven, representing medical staff, Board of Directors, nursing and quality/performance improvement
- Purpose:
  - review the IJ CMS survey violations of California-based hospitals,
  - review Prospect's actions
  - make a recommendation to the Board of Directors

# Scope of review

- Requested all CMS deficiencies for all PMH hospitals for the last 3 years
- Areas of concern limited to California hospitals where there were several Immediate Jeopardy (IJ) findings
- Process included review of the IJ survey materials, follow-up questions and conference call with Prospect exec, on-site visits to CharterCare in Rhode Island and to Los Angeles County Hospital, Culver City

# Initial concerns raised

- Will the quality of care of GWHN be maintained?
- Will there be adequate financial and human resources to ensure quality care into the future?
- How does Prospect handle significant challenges?

# Specific issues identified in California hospitals

- Pattern of widespread ineffective sterilization processes
- Issues of temp and humidity control
- Leadership/governing body oversight
- Failure of hospital to follow through on its corrective action plans

# Results

- Affected only three of the 14 Prospect hospitals; limited in scope
- Prospect approached the issue vigorously with both financial resources and experienced quality team
- Senior leader at Prospect extremely transparent and knowledgeable
- Provided detailed explanations and plans for changes

# Results

- Discussed new corporate organizational structure
- Reiterated that quality needs to be controlled locally with corporate oversight and support
- Rhode Island experience very reassuring; adequate, timely resources consistently available

***The changes that they were able to make in a short time reflect a commitment to quality and availability of deep financial resources.***

# Recommendation to move forward

- On Thursday, April 13, task force reported its process and findings to the Board of Directors
- Proposed the transaction with Prospect Medical Holdings move forward, with recommendations; approved unanimously by the Board of Directors

# Recommendations

- Memorialized in Quality Assurance letter:
  - Maintain current quality programs
  - Continue in Joint Commission program
  - Maintain current reporting structure to local CEO and add corporate legal
  - Share evidence-based practices across system
  - Provide adequate financial resources for facility and staff

# MEDICAL STAFF INVOLVEMENT

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Carl Sherter, MD, Former Chief of Staff, Member of  
GWHN Board Transaction Committee



# CONCLUDING REMARKS

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# GWHN and Prospect: Committed to Community



**Mitchell Lew, MD, President, Prospect Medical Holdings**  
**Von Crockett, Senior VP, Corporate Development, Prospect Medical Holdings**  
**Jonathan Spees, Senior VP, Mergers & Acquisitions, Prospect Medical Holdings**  
**Tom Reardon, President, Prospect Medical Holdings, East**  
**Steve Aleman, CFO, Prospect Medical Holdings**

01678

# Who is Prospect?

## We Operate Local Community Hospitals

- Local governance; local physician leadership
- Investment in hospitals and our communities
- Continued employment and creation of new jobs
- Expansion of programs/services to improve access and quality



# Our Hospitals

- 14 community hospitals in CA, TX, RI and NJ
- Serving many different communities
- Medical, surgical, tertiary/sub-specialty surgical, psychiatric and long-term care services
- Over 40 outpatient clinics and centers



01680



# Our Medical Groups

## Multi-Specialty Healthcare Provider Without Walls

- Independent Practice Association (IPA) physicians focused on delivering the best care
- Prominent Southern California medical groups
- Growing in TX, RI and NJ
- Contracted with all major health plans
- 8,900 primary care/specialist physicians
- 300,000-plus members
- Coordination of care across the entire continuum
- Goal is to achieve excellence in clinical outcomes and patient experience

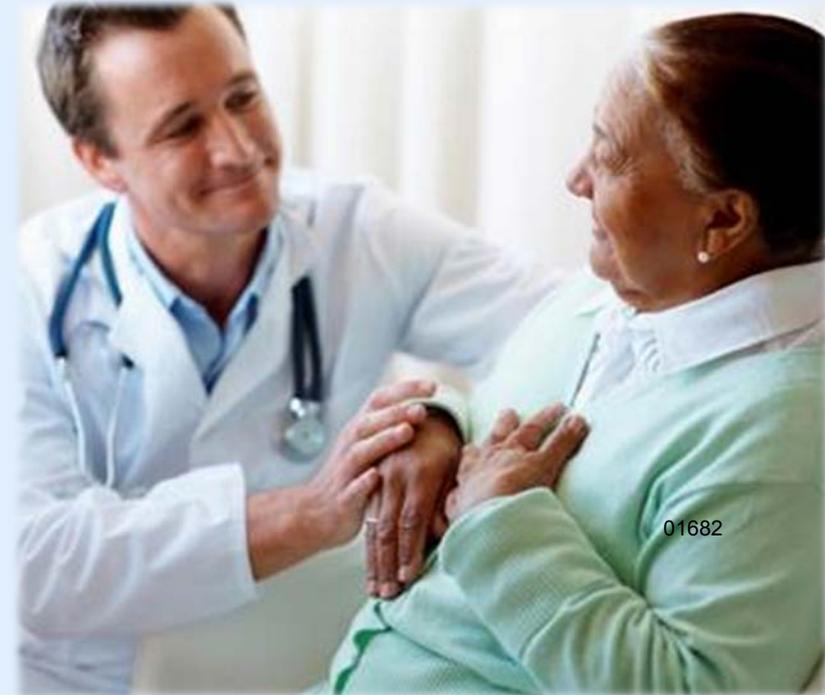


01681

# Coordinated-Regional-Care

## Prospect's Innovative Care Delivery Model

- Coordinated-Regional-Care (C-R-C) integrates hospitals, physicians and other medical and community providers, working closely with health plans and government payers to achieve improved patient care and satisfaction
  - Implemented in 7 regions in CA, TX and RI; in development in NJ, CT and PA
  - Population health management
  - Unique model of care provides higher value



01682

# Improved Care and Outcomes

## Our Patient-Centered and Physician-Led Approach

- Multi-disciplinary care teams for high-risk patients (24/7)
- Patient and family engagement
- Homebound program
- Disease-specific care plans
- Integrated behavioral health
- Quality care coordinators (day-to-day outreach)
- Hospital/SNF/institutional case management
- Physician-led network



01683

# Prospect's Financial Strength

## Demonstrated History of Growth

### Financial Performance

- Revenue compound annual growth rate (2011-15) 27.62%
- Adjusted EBITDA compound annual growth rate (2011-15) 25.57%

### Acquisitions and Integration

- History of improved operational and financial performance with acquisitions
  - CharterCARE Health Partners
  - East Orange General Hospital
- Acquisitions accretive year one with improved performance

# Prospect's Financial Strength

## Diversified Model = Strong, Predictable Free Cash Flow

- Medical Groups
  - Steady capitation payments and management fees
- Hospitals
  - Diversified payor mix
  - Multi-state platform
  - Predictable supplemental payments
- Ability to satisfy acquisition commitments without additional debt

# Prospect's Financial Strength

## Access to Capital

- Conservative debt leverage ratio allows flexibility to raise additional capital

Industry Leverage Ratio Comparison	
Prospect	2.71X
HCA	3.7X
CHS	5.4X
Tenet	6.3X

- Access to capital markets (banks and bonds)
- Private equity group

# Prospect's Commitment to Quality

## Our Award-Winning Southern California Medical Groups

- California Association of Physician Groups (CAPG) Standards of Excellence Program – “Elite Status” (2012-2015)
- Integrated Healthcare Association (IHA) recognition of outstanding performance in “Meaningful Use of Health IT” and “Clinical Quality”
- Awards from the State of California Department of Managed Health Care (DMHC) for excellence in cardiovascular disease, cholesterol control and diabetes care
- 4 and 5 STAR – Medicare health plan quality and performance ratings

# Prospect's Commitment to Quality

## Our Hospitals' Distinctions and Awards

- Blue Cross/Blue Shield (RI) Blue Distinction Center for Hip, Knee & Spine Surgery Programs, 2016 (Roger Williams Medical Center and Our Lady of Fatima Hospital, RI)
- American College of Surgeons-designated Academic Comprehensive Cancer Center, 2015 (Roger Williams Medical Center, RI)
- Joint Commission-certified for Advanced Primary Stroke Center, Diabetes Center and Joint Hip Replacement, 2015 (Our Lady Of Fatima Hospital, RI)
- Joint Commission Bariatric Center of Excellence (Nix Medical Center, TX)
- CareChex Awards – Top 10% nationwide – General Surgery (Nix Medical Center, TX); Vascular Surgery (Los Angeles Community Hospital, CA); Hip Fracture (Southern California Hospital at Culver City, CA)

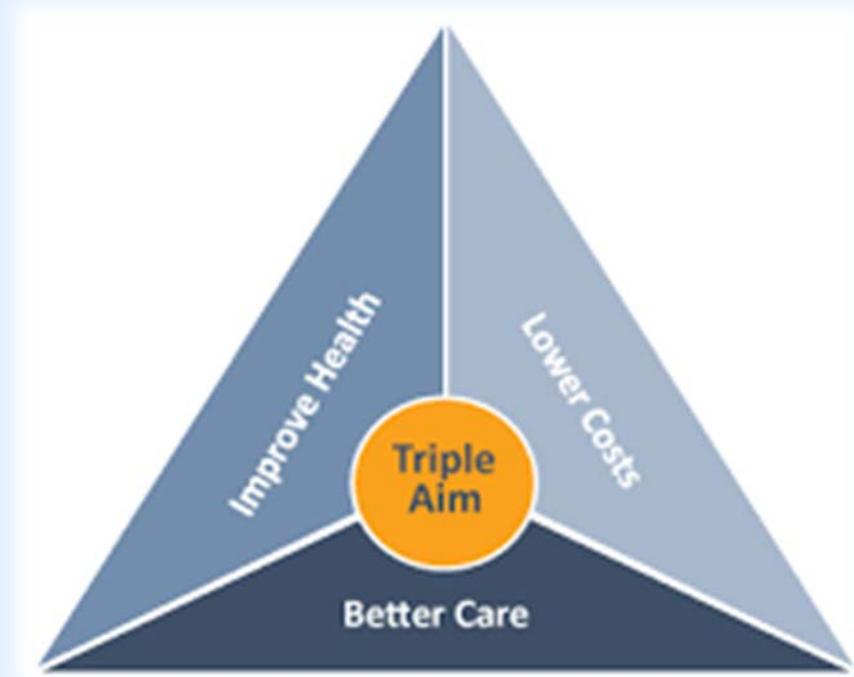
01688



# Prospect's Commitment to Quality

## Quality Enhancements at California Hospitals

- Recent surveys at California hospitals
- Response to survey results
- Expectations for ongoing quality improvement



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# Prospect's Commitment to Quality

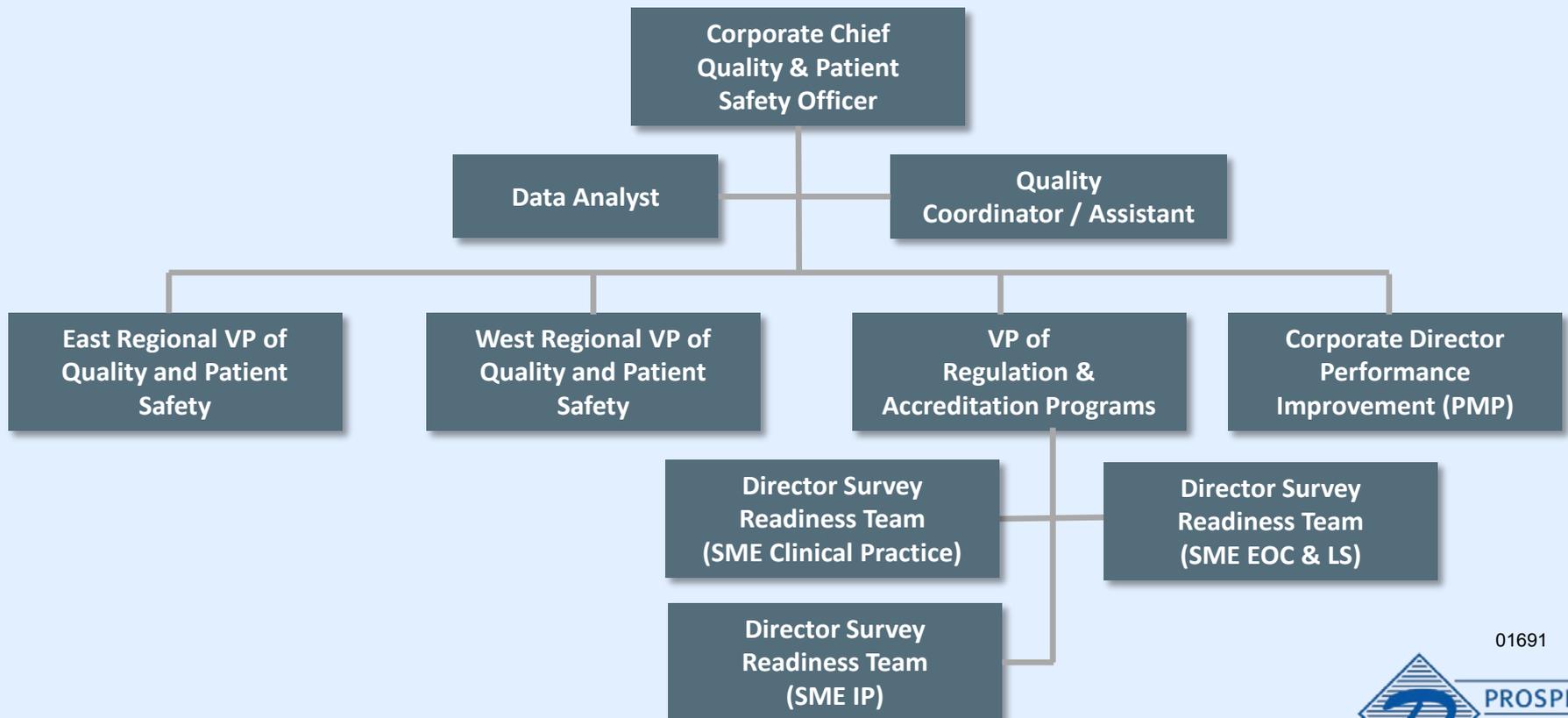
## Corporate Performance Improvement Program

- **Philosophy** – Right care/right time/right setting
- **Mission** – Outcomes, patient safety, integrity, communication and collaboration
- **Goal** – Become a high reliability organization promoting patient-focused, high-quality, safe, compassionate, efficient and effective care
- **Model** – Structure ➡ Process ➡ Outcomes
  - Donabedian quality of care framework

# Prospect's Commitment to Quality

## Corporate Quality Structure

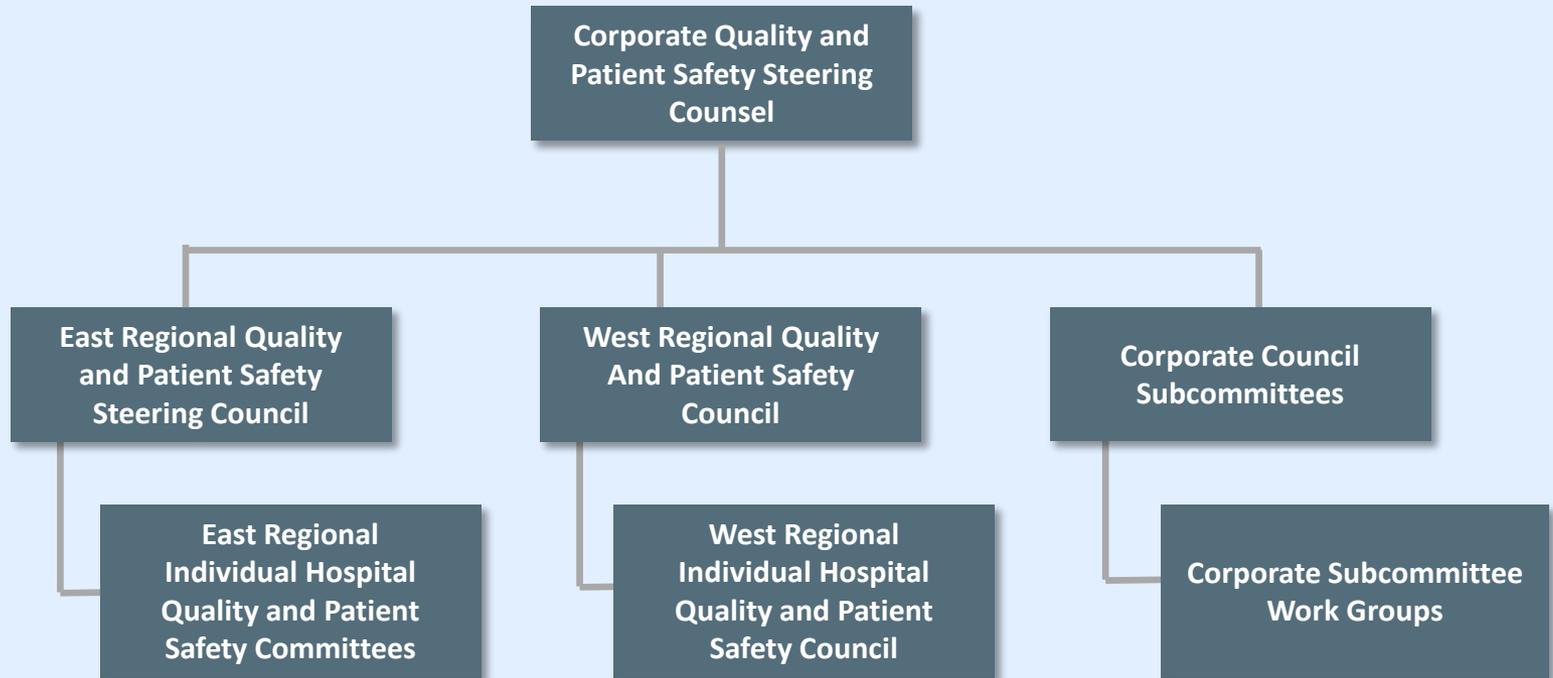
### Corporate and Regional Quality Department Structure



# Prospect's Commitment to Quality

## Quality/Patient Safety Reporting Structure

### Quality and Patient Safety Communication and Reporting Structure

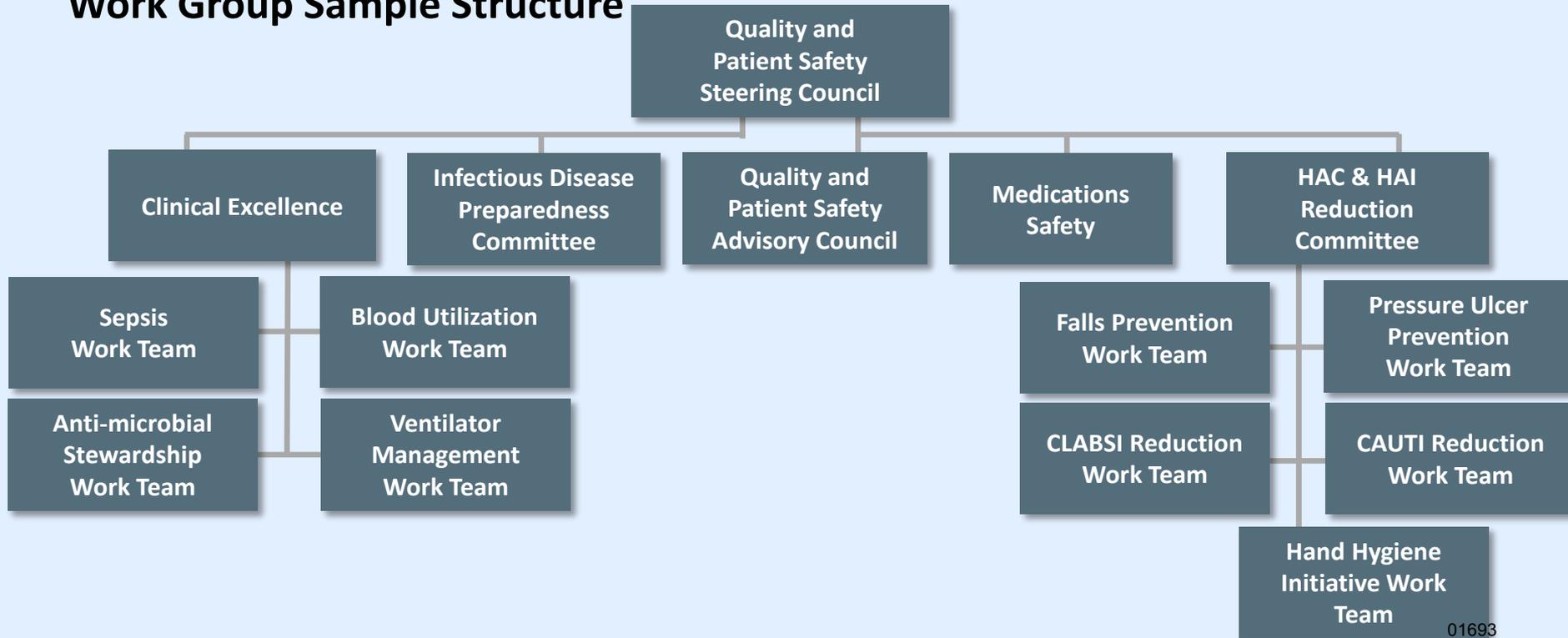


01692

# Prospect's Commitment to Quality

## Quality/Patient Safety Steering Council Subcommittee

### Corporate Quality and Patient Safety Steering Council Subcommittee/ Work Group Sample Structure



01693

# Prospect's Commitment to Quality

## Corporate Quality Improvement Process

- Adopting high reliability behaviors to ensure a reduction in overall medical errors
  - Leadership commitment
  - Just culture of safety
  - Widespread deployment of highly effective performance improvement tools



01694

# Prospect's Commitment to Quality

## Corporate Quality Improvement Strategies

- Support ongoing survey readiness
- Adopt patient experience, clinical excellence and high reliability best practices
- Create/adopt data dashboards and analysis tools
- Promote consistent risk identification and mitigation
- Optimize pay-for-performance and publicly reported outcomes
- Integrate technology

# Prospect's Commitment to Quality

## Corporate Quality and Patient Safety Councils

- Analyze data and trends for performance improvement opportunities
- Assist with development of quality and patient safety agendas
- Provide organizational knowledge and systems thinking
- Motivate and strategize organizational change
- Ensure compliance with action items
- Provide oversight for chartered committees and work groups

# Our Commitment to the Community

## What Prospect Brings to GWHN

- Purchase price: \$45 million
  - Subject to adjustments provided for in the Asset Purchase Agreement
- Capital expenditures: \$55 million
  - Reduced for assumption of capital leases (up to a maximum of \$3.5 million)
  - Reduced if assumed liabilities exceed the purchase price (up to a maximum of \$5 million)
  - Reduced if post-closing claims due from GWHN to Prospect during the first three years after the closing are not paid (up to a maximum of \$4.5 million)
  - Restructured (in consultation with the Local Board) if legal requirement that discriminates against for-profit hospitals materially affects Prospect

01697



# Our Commitment to the Community

## What Prospect Brings to GWHN

- Charity care – commitment to maintain current policies
- Management – commitment to local management
- Local advisory board – physicians and community leaders
- Medical staff – maintain and support
- Hospital services – maintain and grow
- Employees – hire all employees in good standing
- Quality – retain quality programs at Waterbury Hospital

# Role of GWHN's Local Advisory Board

## Prospect's Commitment to Local Governance

- Consult with Prospect in developing post-closing strategic and capital plans, including modifications as appropriate to reflect changes in clinical practices, community need, reimbursement, etc.
- Responsible for medical staff credentialing
- Maintain and oversee the GWHN quality assurance program, including administration of the Quality Commitment Letter
- Oversee and manage accreditation

# GWHN Local Advisory Board Structure

## Prospect's Commitment to Local Governance

- Initially 11 members
  - Five from current GWHN Board
  - Five physicians,
  - Hospital CEO
  - Will include Chief of Medical Staff and Senior Clinical Quality Executive
- Initial Local Board nominated by Governance Committee of the GWHN Board and approved by the GWHN Board, thereafter appointed by Prospect/GWHN management
- Staggered three-year terms

# GWHN Local Advisory Board Structure

## Prospect's Commitment to Local Governance

- Board member selection criteria
  - Diversity in age, gender, race and town of residence with the goal of reflecting the communities served
  - Possess expertise and backgrounds that align with Local Board roles and responsibilities
  - Have demonstrated a commitment to GWHN's mission

# Prospect's Model in Practice

## CharterCARE Health Partners Accomplishments

Prospect ...

- Formed a multi-specialty IPA with 100+ primary care providers
- Increased employed physicians by 50+
- Expanded outpatient clinics beyond service area
- Invested in outpatient oncology center
- Achieved academic certification of cancer center
- Provided significant strategic capital
- Is implementing Medicaid value-based pilot
- Works closely and efficiently with the Local Board

# Why Prospect?

## Prospect Offers a Unique Healthcare Delivery Model

- Promotes better community health
- Empowers local physicians
- Maintains/creates local jobs
- Provides extensive corporate resources/expertise to support local hospital operators
- Maintains local leadership with regional oversight
- Invests significant capital in facilities, service and technologies
- Preserves charity care policies

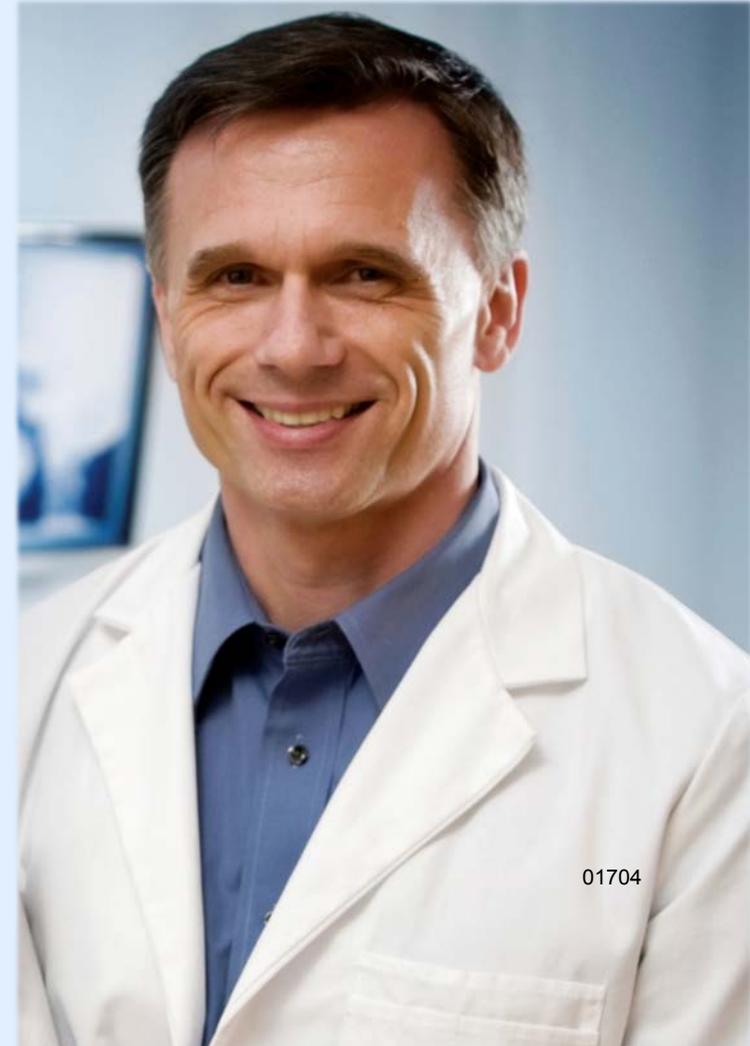


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# GWHN/Prospect Partnership Advantages

## Quality + More Efficient Care = Better Value

- Integration of GWHN, physicians, community providers and health plans
- Better care and health of patients
- Higher patient satisfaction from personalized care
- Improved access to capital and financial strength
- Sustainable delivery model preserves Waterbury Hospital, physician practices and quality healthcare



# Why Prospect?

## GWHN and Prospect – Commitment to Community

- We are committed to Connecticut
- Our innovative delivery model will transform GWHN into a leader in Connecticut healthcare



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# Why Prospect?

Prospect and GWHN – Our Goals

**HIGH** Quality Care

**HIGHER** Patient Satisfaction

**HIGHEST** Value