STATE OF CONNECTICUT

DEPARTMENT OF PUBLIC HEALTH

OFFICE OF HEALTH CARE ACCESS

WATERBURY HEALTH NETWORK, INC. AND VANGUARD HEALTH SYSTEMS, INC.

PROPOSAL FOR JOINT VENTURE BETWEEN GREATER WATERBURY HEALTH NETWORK, INC. AND VANGUARD HEALTH SYSTEMS, INC.

DOCKET NOS. OAG 13-486-01
AND
OHCA 13-31838-486

OCTOBER 15, 2014

1:03 P.M.

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. . .Verbatim proceedings of a hearing before the State of Connecticut, Department of Public Health, Office of Health Care Access, in the matter of Waterbury Health Network, Inc. and Vanguard Health Systems, Inc., held at the Courtyard by Marriott, 63 Grand Street, Waterbury, Connecticut, on October 15, 2014 at 1:03 p.m. . . .

HEARING OFFICER KEVIN HANSTED: Okay, folks, we're going to get started here. Good afternoon, everyone.

This public hearing before the Office of the Attorney General and the Office of Health Care Access, identified by Docket Nos. OAG 13-486-01 and OHCA 13-31838-486, is being held on October 15, 2014 to consider Greater Waterbury Health Network, Inc.'s and Vanguard Health Systems, Inc.'s application for a joint venture between Greater Waterbury Health Network, Inc. and Vanguard Health Systems, Inc.

This hearing is part of the procedure under what is commonly referred to as the Conversion Statute, which requires the Commissioner of the Office of

Health Care Access and the Attorney General to evaluate any proposal, which would convert a non-profit Connecticut hospital to a for-profit entity.

For OHCA's purposes, this public hearing is being held pursuant to Connecticut General Statutes, Section 19a-639(a) and 19a-486(e), and will be conducted as a contested case, in accordance with the provisions of Chapter 54 of the Connecticut General Statutes.

My name is Kevin Hansted, and I've been designated by Commissioner Jewel Mullen of the Department of Public Health to serve as the Hearing Officer in this matter here today.

The staff members assigned to assist me in this case are Kimberly Martone, Director of Operations for OHCA, and Steven Lazarus, Health Care Analyst for OHCA. The hearing is being recorded by Post Reporting Services.

OHCA will make its determination on this application pursuant to Sections 19a-486(d) and 19a-639 of the Connecticut General Statutes.

Specifically, OHCA will consider the following; whether the effected community will be assured of continued access to affordable health care, whether the purchaser has made a commitment to provide health

care to the uninsured and the underinsured, whether safeguards are in place to avoid a conflict of interest in patient referrals, and we will also take into consideration and make written findings concerning each of the statutory Certificate of Need Guidelines and Principles.

Waterbury Health Network, Inc. and Vanguard Health Systems, Inc. have been designated parties in this proceeding.

Connecticut Health Care Associates and the National Association for the Advancement of Colored People have requested and have been designated as Interveners, with full rights of participation in this proceeding.

The Massachusetts Nurses Association has requested and has been designated as an Intervener, with limited rights of participation in this proceeding.

At this time, I will turn it over to Deputy Attorney General Perry Zinn Rowthorn for some comments on his behalf.

MR. PERRY ZINN ROWTHORN: Thank you. My name is Perry Zinn Rowthorn. I'm the Deputy Attorney General for the State of Connecticut.

Attorney General George Jepsen has

designated me as the Hearing Officer for the Attorney General's portion of this proceeding. On his behalf, I want to thank in advance the Applicants and the Interveners and the witnesses that we'll hear from today, as well as public officials, and to extend a special thank you to the members of the Waterbury community for their presence and participation here today.

This transaction, the conversion, proposed conversion of Waterbury Hospital to for-profit status, is critically important to Waterbury and the surrounding communities served by the hospital.

This is your opportunity to hear about this transaction from the participants in it, and, more importantly, this is our opportunity to hear from you, the members of the communities, who are affected by this transaction.

We are conducting this hearing jointly with OHCA, but we at the Attorney General's Office have a different focus, a different set of criteria that we applied in reviewing this transaction, so, to put this hearing in context, let me say a few words about the Attorney General's role and focus under the Conversion Act.

So the Conversion Act does define and

limit his review of these transactions, but it also reflects the traditional role that the Attorney General has in protecting the public interest in charitable assets, that is, in assets and monies and properties that are committed to the use of -- committed to charitable purposes and safeguarding those assets and making sure they serve the purposes for which they're intended.

Non-profit hospitals, like Waterbury Hospital, hold their assets essentially for charitable purposes, for providing health care in their communities.

They do not hold assets for the purpose of generating profits for their shareholders or their owners, and, in that way, non-profit hospitals differ from for-profit hospitals.

The administrators of non-profit hospitals have a responsibility as stewards of charitable assets to act with responsibility and care to safeguard those assets.

The law in Connecticut does not prohibit non-profit hospitals from converting to for-profit status, but it does set out conditions under which it may do so.

When one hospital seeks to do so, as here, the Attorney General's function is to insure that the

non-profit hospital is meeting its obligations of care with respect to charitable assets, so what the Attorney General looks at in a transaction like this and under the Conversion Act is to insure that the process leading to the sale was responsible.

Were the hospital administrators careful in deciding to sell or otherwise transfer a material portion of their assets?

Were they careful in choosing a partner in the transaction, and were they careful in negotiating the terms of the deal? And we look at the terms of the deal to make sure they are fair.

Is the non-profit hospital receiving fair market value for its assets? And then we look at what will happen after the transaction to those charitable assets.

Will the proceeds of the sale be maintained and used for health-related purposes? Those proceeds remain charitable assets, and we need to insure that they are used for charitable purposes, and that they are not used to advance the profit-making purposes of the resulting for-profit hospital.

So because the AG’s, the Attorney General’s focus remains throughout the process under

charitable assets, his review and his decision for the most part does not focus on the running of the for-profit hospital after the transaction.

Issues relating to the operation of the new hospital entity, as it relates to access to health care services, are within OHCA's purview.

Today's hearing is a very important part, but just one part of a review of this transaction that has been ongoing for months.

We'll take testimony and hear evidence, and we'll hear public input, and we will ask questions. Don't assume, if we don't ask a question on a particular topic, that it's unimportant to us.

Before today, we have received and reviewed thousands of pages of documents, and we've asked hundreds of questions of the parties to the transaction.

We've also reviewed carefully the submissions of the Interveners in the pre-filed testimony.

All of the material that has been available to us, as we reviewed this transaction, is available to the public on the Attorney General's website, www. ct.gov/ag.

The public's input here I want to

emphasize is critically-important to our review. All of the information we receive today and after the hearing will become part of the official record of our review, and that includes all of the public comments.

We're going to do our best to accommodate everyone, who wants to be heard today. There are a lot of people here, and we're happy to see that, and we hope others come throughout the day.

We may urge folks to move along, so that everybody gets the opportunity to be heard, because we want to hear from everyone.

We also will take comments in writing after the hearing, and there's a sheet outside on the table with instructions for submitting written comments by mail or e-mail, and those comments will be included in the official record, so if there's anyone here, who can't stay until the public comment session, I urge you to take a sheet of instructions and to submit your comments after.

And, if you have friends, or family members, or colleagues, who want to be heard, but couldn't be here today, because of work or family responsibilities, I urge you to share with them the instructions for providing your comments.

So a little bit about the path forward from here. We are on track with OHCA to complete our review and issue our decision in December of this year.

A word about what that decision could be. The options under the statute, the Conversion Act, are to approve the transaction as it is, or to deny it, or to approve it with conditions that relate to the purposes of the Conversion Act.

With respect to the AG's involvement in the Conversion Act, we think those purposes, as discussed, primarily concern the safeguarding and future protection of charitable assets.

I want to say, also, a word about issues with respect to health care competition in Waterbury and across the State of Connecticut, as it relates to this transaction and other transactions that are anticipated.

Some of you have heard or will hear concerns raised about competition. The Attorney General has separate responsibility under the Connecticut Antitrust Act to review antitrust concerns that arise with respect to transaction or transactions.

I want to assure the public that that review is ongoing. The Attorney General takes that responsibility very seriously, but that's a separate

review.

The public should not look to the review in this instance or the decision in this under the Conversion Act for the Attorney General to address those concerns, but that review is ongoing.

This is a joint hearing. We and OHCA are working together to move this along, to cover as much business as we can.

You can assume that, if you hear a ruling on an objection or a procedural point from OHCA, that it applies to the Attorney General and vice versa.

I'm going to turn it back over to OHCA to make a few additional important procedural points. Before I do that, I want to introduce the members of the Attorney General's staff, who are participating today.

To my right, your left, is Assistant Attorney General Gary Hawes from our Special Litigation and Charities Unit. He has been coordinating the office's review of this transaction and other Conversion Act reviews.

Next to him is Assistant Attorney General Henry Salton, who is head of our Health and Education Department.

Paralegal specialist, Cheryl Turner, is at

the table, along with Assistant Attorney General Alayna Stone.

So thank you, again, for your participation.

HEARING OFFICER HANSTED: Thank you, Perry. At this time, I will ask staff to read into the record those documents already appearing in the Table of the Record in this case.

All documents have been identified in the Table of the Record for reference purposes. Mr. Lazarus?

MR. STEVEN LAZARUS: Good afternoon. Steven Lazarus, OHCA staff. I'd like to enter into the record Exhibits A through YYY, as listed on the Table of the Record.

HEARING OFFICER HANSTED: And does the staff have any additional exhibits to enter into the record?

MR. LAZARUS: Yes, we do. We have copies of these, and these were submitted to OHCA yesterday. Some of these came in the end of the day yesterday or this morning.

One is an e-mail statement that was submitted by David Greco, and I have copies of this, if the Applicants or the Interveners don't have one. We're

going to label that as Exhibit ZZZ.

HEARING OFFICER HANSTED: ZZZ? And do the Applicants have copies of those exhibits?

MR. LAZARUS: Would you like a copy? And the next item is testimony, pre-filed testimony of Frances Padilla. That was received I believe this morning. Do the Applicants or Interveners require a copy of that?

MR. JAMES SHEARIN: We have that, and we will be making an objection to that.

MR. LAZARUS: At the moment, we'll label it Exhibit AAAA.

And, next, we have pre-filed testimony of Sal Luciano. Does anybody need a copy of that?

MR. SHEARIN: We have that, and we'll make an objection, as well.

MR. LAZARUS: For now, we'll label it BBBB.

And the last item I have is testimony from AFSCME, Ms. Lauren Bates. Does anybody need a copy of that?

MR. SHEARIN: No. Same response.

MR. LAZARUS: Okay. We'll label that CCCC for now. That's all I have at the moment.

HEARING OFFICER HANSTED: Okay, thank you, Mr. Lazarus. At this time, I'll hear any objections, as to those exhibits. Counsel, if you would please identify yourself for the record?

MR. SHEARIN: Sure. Thank you. My name is Tim Shearin. I'm from the law firm of Pullman & Comley. I represent Vanguard Health Services.

Our objection to the proposed testimony of Ms. Padilla is that that person and that entity was never granted Intervener or Party status.

HEARING OFFICER HANSTED: Maybe you can move the microphone over. Thank you.

MR. SHEARIN: Ms. Padilla purports to represent the Universal Health Care Foundation. That party never moved for nor was granted Intervener or Party status more than five days in advance of this hearing. It's a violation of the statute.

HEARING OFFICER HANSTED: Mr. Murray, can I ask? Are these witnesses, who are being offered by the CHCA?

MR. HENRY MURRAY: Yes, they are being offered as witnesses in support of our position.

MR. SHEARIN: The proposed testimony isn't made on behalf of that entity, but, rather, the Universal

Health Care Foundation.

HEARING OFFICER HANSTED: Counsel, do you have any reply?

MR. MURRAY: Well that's true, that, on behalf of the Universal Health Care Foundation, that's what the testimony says. In fact, I received a copy of this this morning and submitted it before I drove down here, but it is in support of the Intervener's general position in this hearing, and, therefore, we respectfully request that it be accepted into the record.

MS. KRISTEN CONNORS: Kristen Connors on behalf of Waterbury Hospital. The September 29, 2014 required any pre-filed testimony to be submitted by October 6, 2014. That order was not followed.

HEARING OFFICER HANSTED: Okay. Counsel, I'm going to overrule your objections, however, I do understand that that pre-filed testimony was just sent out this morning or late yesterday, so what I'm going to do is allow the Applicants an opportunity to respond in writing to that pre-filed testimony, and I'll order that that be submitted by next Friday, which I believe is October 24, 2014. Thank you.

MR. ZINN ROWTHORN: It's probably a good juncture to point out that we're going to leave the

record of the proceeding open until the 24th to permit the public to have an opportunity to submit additional comments and for the Parties and Interveners to submit whatever other additional materials that they would want to submit.

That can certainly be used as an opportunity to address or clarify any information that's put forward today.

MR. SHEARIN: For the record, this may yield the same ruling, but we do object to the testimony of Mr. Luciano and Ms. Bates as being out of time. The document that Ms. Connors referred to was ZZ, which required testimony to be filed by October 6, 2014.

HEARING OFFICER HANSTED: Thank you, counsel. And, again, I'll overrule that objection, with the understanding that you're permitted to respond in writing by October 24th.

MS. CONNORS: Also, I would just like to note that Section 4-177(a)(c) requires that good cause be shown if the orders of OHCA or the five-day requirement are not followed and there has not been good cause shown.

HEARING OFFICER HANSTED: Thank you, counsel. Counsel, anything further?

MR. SHEARIN: Not at this time.

HEARING OFFICER HANSTED: Thank you. Okay, I just want to get back to a little procedural matter. For today's hearing, we will first hear from the Applicants for an overview of the proposal, then the Interveners will each have 15 minutes to provide their testimony.

The Applicants may Cross-Examine the Interveners, but only CHCA and the NAACP may Cross-Examine the Applicants.

After that, we will hear from the public. Out of deference to legislators and municipal officials, we will call them first, and then we will go to the public sign-up sheets that are located just outside the doorway. As you approach the door, they're on the table to the left-hand side.

People, who wish to speak, should write their name on the sign-up sheets, which are located at that table that I just mentioned.

At this time, I would ask all the individuals, who are going to testify on behalf of the Applicants and Interveners, to please stand, raise your right hand, and be sworn in.

(Whereupon, the parties were duly sworn in.)

HEARING OFFICER HANSTED: And just as a reminder, please state your full name and adopt any written testimony you have submitted on the record prior to testifying today. At this time, the Applicants may proceed.

MS. DARLENE STRUMSTAD: Good afternoon. I'm Darlene Strumstad. I'm the President and CEO of the Greater Waterbury Health Network.

HEARING OFFICER HANSTED: Just one moment. Can everyone hear her? Okay, maybe just bring the microphone closer to you.

MS. STRUMSTAD: Better?

HEARING OFFICER HANSTED: Is that better for everyone? Okay.

MS. STRUMSTAD: Okay.

HEARING OFFICER HANSTED: Thank you.

MS. STRUMSTAD: I'll try to remember to push these slides forward. Anyway, I'm Darlene Strumstad. I'm the President and CEO of the Greater Waterbury Health Network and Waterbury Hospital.

I'm very proud to be here at this organization at this very challenging time of change and great potential.

I am humbled by the interest that our

transaction with Tenet Health Care has had from our community. That speaks about our role as a safety net hospital and as a very large employer in our community.

I am joined today by the Board Chairman, Carl Contadini, and by Dr. Carl Sherter, a long-term member of our medical staff and former Chief of Staff.

Also, we are accompanied by other colleagues from the hospital; Pat Simers from Principle Valuation, who did our fairness opinion, and, of course, our colleagues from Tenet Healthcare.

We have been serving our community for almost 125 years, and, today, we are here about our patients. Our purpose is to insure that the Greater Waterbury area has access to health care that's sustainable, accessible, the highest quality possible, and, today, in 2014, that requires dramatic change.

Waterbury Hospital has historically and today has a significant role in our community. We see about 12,000 inpatients a year, 186,000 outpatients, about 98,000 visits in our physician practice, and over 55,000 visits in our E.R.

We are a product of where we live and work. We are taking care of some of the most vulnerable citizens in the State of Connecticut, and we're really

pretty good at it.

In spite of all the distractions our organization has had over the last couple of years, we have received several national awards for our quality, our innovation, and our patient satisfaction. We are very proud of what we do.

The history of Waterbury Hospital is dotted with several attempts at mergers and affiliations, but, this time, it's really different, because there are several things going on.

We have our existing financial challenges, which I know people are aware of, but we also have health care reform upon us, which is dramatically changing our industry.

Our Federal and State reimbursement continues to be decreased, so, today, the stakes are higher, there is no longer any time for a do-over, and this is the time for us to move forward with our transaction with Tenet Healthcare.

Just a reminder of what the goals of health care reform were, that is to increase quality, improve accessibility, and decrease costs.

It is a laudable goal, but the process to get there is very, very challenging. Nationally, there

is a fundamental shift in how our services will be delivered.

We have one foot on the dock and the other in the boat, and we're balancing this large important organization on our shoulders.

The new world of health care requires that there is collaboration and access to best practice like never before. We can no longer continue to operate in isolation.

Reform is meant to be a zero sum gain. It is meant to increase access to health care for those people most at risk, without adding costs to the system nationally, so that money has to come from somewhere.

The shifts in federal spending are shifting away $155 billion reduction in hospital reimbursement over 10 years. For the State of Connecticut, over that 10 years, the reduction in federal reimbursement is $3 billion.

For Waterbury Hospital, it's more than 95 million, and that's on top of the 42 million that our organization has lost in the last 10 years.

And these are just some graphs that I won't go into the detail from the Connecticut Hospital Association that shows the impact of reimbursement cuts

to Connecticut and Waterbury.

This shows us -- excuse me for a minute. What this means to us in this fiscal year alone, which started on October 1st, you can see that we have a total reimbursement decrease, based on the same book of business, of four percent, which is $9.7 million.

What this shows is that we're going to get $9.7 million less in State and Federal reimbursement this year alone, based on the same book of business.

Status quo is not an option for our organization. Fortunately, I work with a Board that has the foresight to be at the front of this process.

Several years ago, the Board set a specific goal to insure that quality health care would be available for the long haul for the Greater Waterbury community.

This is not about returning to our past. It is about our ability to dare to be more than we have been and to be a leader in this change. It is about the ability to transform our delivery of health care to do the right thing for the right people at the right place at the right cost. This is an enormous opportunity for Waterbury Hospital, but, also, for our region.

So why Tenet Healthcare? Tenet Healthcare

is the right choice. There's a culture of maintaining local control in health care, ability to invest, they have strong strategic academic and physician relationships, they are well-known for their quality, safety and best practices, and they have experience in population health management.

It has been our goal to provide the very best care possible in this region and continue our mission of health care long into the future.

Tenet gives us that opportunity to build a unified system of care that benefits all of our patients equally.

With Tenet, we can and will honor our promise, and that is to keep our patients at the center of everything we do now and long into the future. Thank you.

MR. CARL CONTADINI: Good afternoon. Carl Contadini, Chairman of the Board of the Network, as well as Waterbury Hospital.

The journey, the journey has been long and frustrating. Waterbury Hospital has long engaged in strategic planning and has included some type of collaborative effort with other hospitals. Most recently, St. Mary's on the Leever Center in 1999 and the

Heart Center in 2003.

During that same period of time, we have conducted numerous studies and efforts. In 2005, Kaufman Hall studied the possibility of consolidation of Waterbury Hospital and St. Mary's.

In 2006 and 2007, those discussions between St. Mary's Hospital and Waterbury Hospital were ongoing. In 2007, at that same time, OHCA had a draft report recommending the consolidation of the two hospitals, amongst other things.

In 2008, unable to reach any agreement or find funding, the discussions concluded. The financial issues urged us to move quickly.

In 2009, I consider that a watershed event for Waterbury Hospital. The default of the CHEFA bond at that point in time caused us to enter into a forbearance agreement.

During that period of time, in 2010, PricewaterhouseCoopers came in and tried to reorganize our hospital into a better-run operation.

We were able to accomplish those goals, and, in 2010, we were able to refinance those CHEFA bonds.

I think one of the interesting things

during that same period of time Kaufman Hall did a bottom up study of our operational needs, and that goes from the hospital infrastructure all the ways through state E.R. equipment, and those things needed to stay on the forefront of patient care. What that study said, as eloquently as it could, we were going to run out of money in 2015.

In 2011, the Board formed a Task Force to chart the course of the hospital. I believe, at this time, the ingredients were there for a possible transaction.

The Task Force comprised of independent directors. The Chief of Staff, Dr. Carl Sherter at the time, was formed to redirect the operations of the hospital.

During that same period of time, the President and CEO retired, and we brought in an interim CEO while we were on a search for a new CEO of the hospital. Also, during that same time, we were out looking for a capital partner.

The interim CEO came on board and did the things that gave us a little bit of breathing room. As you know, the Kaufman Hall study told us we were going to run out of cash in 2015.

One of our objectives was we knew what the trajectory looked like, and our objective was to try to change that trajectory as much as possible, so that the hospital and the Board could have the time necessary to do the right thing, so as not to be under pressure to make bad moves, and that was our objective.

When Darlene was hired in 2011, her objective was to work and try to implement these new strategies to give us the time that we could make the right decision and find the right partners.

There were clear goals in that strategic direction. The first door that needed to be opened was access to capital. Without that door opening, we weren't going anyplace.

However, once that door opened, there were things that were dear to the Board and dear to our objectives, and that was local availability of all services.

If we were not able to guarantee that, that was a non-starter from Waterbury Hospital's perspective.

So, in the transactions that we'll talk about today, you'll see that those were guaranteed in the first transaction, as well as the proceeding transaction.

Continued charity care, as a Board, we have heard for years the amount of charity care that Waterbury Hospital performs. One of the things that we did not want to lose in any transaction was that same level of charity care.

In our agreements with the Tenet folks today, as well as the past transaction, those guaranteed in contractually written agreements.

The voice of governance, all right, another thing dear to our heart, our objective was to get as much governance on a same footing as possible, and we'll talk more about that in future slides, and, also, developing of ambulatory strategies, tertiary care, and the tools and services we needed to improve community health.

I think Dr. Sherter is going to say, you know, some of the things we have to do in this community, the average age of physicians are 59 years old, so we need to attract new physicians as time goes on.

Vigorous process continued. In 2011, Cain Brothers contacted 14 parties. Four responded with proposals. Local non-profits either declined to participate or did not respond with the RFP, but I will assure everyone here today that the Task Force did meet

with hospitals here in Connecticut, not-for-profit, both to the west and east, to see if there was any opportunity for us to work together.

Those conversations really didn't go very far, and the conditions were not conducive to offering all the services that we would need here in Waterbury.

In 2011, two of those proposals were chosen. Waterbury Hospital found that Vanguard, which was one of the original, in the original first proposal of participants, was a clinically-stronger part of the two choices.

We felt that there was a greater depth of bench in the Vanguard proposal, however, LHP came to town and promised us a new state-of-the-art hospital, and, in the best interest of the City of Waterbury, we would have one new state-of-the-art hospital built Downtown, which would help the viability of the City of Waterbury, so we felt that was in the best interest of the community and the surrounding communities for health care, so we proceeded down that avenue.

In 2011 and 2012, there was a vigorous effort to get that on target. I cannot emphasize the number of meetings and conversations that were held, however, by August of 2012, I think the terminology may

be deal fatigue set in, and LHP terminated the deal.

We did not let that stop us. Within a few days after that, Cain Brothers was back in the marketplace, looking and soliciting new proposals. We were only able to solicit two proposals this go around.

The candidates came to the hospital and were thoroughly interviewed by the Task Force and Board, and we felt, at that point in time, that we would allow Cain Brothers to draft proposals from both of them and submit them to us for final review.

The Task Force adopted the recommendation to move forward with Vanguard at that point in time, presented to the Board by Cain Brothers with our counsel present to answer all questions associated with that particular deal, and the Board voted unanimously to approve the Vanguard deal.

We can see the future. The Board chose an 80/20 joint venture. The Board wanted a meaningful voice in the governance of the hospital.

Diligence periods commenced. Greater Waterbury Health Network and Vanguard responded to each other's request for information. We reengaged Principle Valuation for a fairness opinion. Counsel conducted diligence, presented a summary to the Board.

The definitive agreements were negotiated by counsel and the Task Force the new partnership and collaboration.

As you know, health care is dynamic. As we were proceeding down these roads, Vanguard announced a strategic alliance with Yale-New Haven Health System.

The Board immediately questioned Vanguard and what does that mean to Waterbury, and we wanted to make sure that we were still on the original agreement in the original track of all services still being provided here at Waterbury, and that absolutely was assured.

Also, what was also important is that we got the management team together, as well as the medical staff, to understand our current relationships.

We have a longstanding relationship with Yale at Waterbury Hospital, and the outcome of that was this was an enhancement to the deal already negotiated with Vanguard. Not too long after that, Tenet Healthcare was purchased by Vanguard.

Cain Brothers presented diligence to Waterbury Hospital’s Board. Members of the Task Force and Board visited Tenet facilities in Florida, St. Mary’s in Florida, as well as Good Samaritan. A little bit different payer mix, however, we realized the benefit

that Tenet brought to the table, and we saw the satisfaction of the doctors and nurses at these hospitals.

One of the things I think that was important, again, this was an enhancement. It brought more scale to the deal already negotiated with Vanguard, and scale is important if we're going to survive as we move forward.

The long journey promised, and we're a promising destination, the Board diligence was extensive and never stopped.

Transactions discussed at every Board meeting in Executive Session to allow for full and frank discussions. Special Board meetings called, as necessary, formal Task Force meetings, countless informational interactions with Board members and advisors.

Management, bankers and counsel continued to update and field questions from the Task Force and Board during Executive Session.

The Board empowered Darlene and her staff to reach out to legislative business leaders, community members, employees, medical staffs and labor unions to keep everyone informed.

The journey is the proposed joint venture, which is an 80/20 joint venture. What's very important about this bullet point is that this joint venture will operate in accordance with the community benefit standards required for tax-exempt hospitals.

The purchase price is a $45 million purchase price for the 80 percent interest. Greater Waterbury Health Network will pay off the liabilities.

There's $55 million capital investments over a seven-year period. Those capital investments are used for outpatient strategy and physician recruitments.

There is a post-Conversion Foundation and will oversee the charitable and asset retained liabilities. The Board of that Foundation will be comprised of Greater Waterbury Health Network appointed community members and community advisor groups that represent Greater Waterbury neighborhoods.

The journey proposed joint venture, this is very important, as the joint venture has 12 members; six appointed from Tenet, six appointed from Waterbury Health Network, and the important thing here is there's a 50 percent, while it's an 80/20 deal, it's a 50/50 governance, except for three specific areas.

Those three areas are the appointment of

the CEO, capital expenditures and budgets. All other operations and I think the important parts that the Board will oversee will be on a 50/50 basis, and there's a mechanism built within there for arbitration, if we're into a 50/50 tie.

The first Board Chair appointed for three years will be the Board Chair of Greater Waterbury Health Network at the time of closing, a 12-member local Board of Trustees, of which six are members of Waterbury Hospital medical staff, and the remainder are community members. They will involve credentialing, quality reporting, accreditation and community relations.

The Waterbury Hospital Board continues to support this joint venture today and is even more optimistic about what Tenet can bring to our community. Long-term, high-quality, sustainable health care to our community is what we're after.

I thank you, and I'd like to introduce Dr. Carl Sherter, a member of the Task Force and a doctor in the community for four decades.

HEARING OFFICER HANSTED: Doctor, before you proceed, Ms. Strumstad and Mr. Contadini, would you just adopt your pre-filed testimony for the record?

MS. STRUMSTAD: Sure.

MR. CONTADINI: Yes.

HEARING OFFICER HANSTED: I'll ask it this way. Do you adopt your pre-filed testimony for the record?

MR. CONTADINI: Yes, we do.

MS. STRUMSTAD: Yes.

HEARING OFFICER HANSTED: Thank you, both. Doctor?

DR. CARL SHERTER: I'll start off with adopting my pre-filed testimony.

HEARING OFFICER HANSTED: Thank you.

DR. SHERTER: My name is Carl Sherter, M.D. I'm the past Chief of Staff of Waterbury Hospital. I'm an original member of the Task Force that examined the hospital's opportunities with various capital partners.

I'm a practicing pulmonary and critical care physician. I'm in private practice and an attending physician at both Waterbury Hospital and St. Mary's Hospital.

I'm Chairman of the State of Connecticut's Medicaid Pharmacy and Therapeutics Committee. I've done this as a volunteer since its inception. I helped write the Bylaws and have Chaired every meeting for the last 12

years.

We have saved the states tens of millions of dollars and provided the most liberal list of medications to Medicaid patients. I understand the delivery of quality health care for the underinsured. These are our most vulnerable patients, as has been mentioned.

The joint venture is going to be good for the proud City of Waterbury. Our population is older than most other Connecticut cities. The poverty rate is 20.6 percent. Unemployment is 13.1 percent.

This joint venture will hopefully help stabilize our city and help our city move to the next phase of existence, possibly a city of health and higher education. My editorial.

Waterbury Hospital has provided excellent health care to the community. I'm proud of the over 1,000 physicians we've trained, many still in our area.

I'm proud of the nurses, certified aides, respiratory therapists, physician assistants, pharmacy and others we've trained.

I'm proud of the staff of the hospital, particularly, earning numerous awards for quality health care, in spite of the hospital's financial constraints.

As I stated, for the last four years, I represented the medical staff of Waterbury Hospital and the patients this hospital serves in its attempt to find a capital partner. I was at every meeting and every negotiation.

Waterbury physicians enthusiastically support the Tenet/Waterbury Hospital affiliation. Vanguard and Tenet met with our staff executive committee, and I will tell that that's a committee that will ask every question they can ask and go as long as they need to in open forum with Vanguard, and about 50 or more of our practicing physicians were at this forum and, again, asked all the questions that they needed.

It asked Tenet for its plans for the underinsured and the uninsured, who were happy with their commitment. We visited other Tenet hospitals and asked their staff if they noted a decrease in services or a decrease in quality.

The hospitals are beautiful. The staff is happy. Equipment, state-of-the-art. I was jealous. They did a better job with quality at a reasonable price than their competition. We know that our patients have a choice and will seek the best care they can get.

After almost 40 years of practice at

Waterbury Hospital, I've seen the problems of a standalone hospital, where an average age of physicians is 59 years. It's getting increasingly difficult to bring young health care workers to Waterbury. They want a secure future in their practice. They want modern equipment to diagnose and treat their patients. They want a stable future with a capital partner that will help with economy of scale. They want the future.

They want to participate in this new venture. This will happen with a Tenet/Waterbury Hospital joint venture.

The people of Waterbury want excellent health care in their own city. There are community -- this is a city of community values, and patients are there, and their families support one another.

Most of my patients come to my office with their family members. They ask me is it going to happen? The answer, we all hope so. We need a capital partner to make this happen, and Tenet will be an excellent choice. Thank you.

MR. TRIP PILGRIM: Good afternoon.

HEARING OFFICER HANSTED: Good afternoon.

MR. PILGRIM: My name is Trip Pilgrim. I'm a Senior Vice President for Tenet Healthcare. I'm

based out of Dallas, Texas.

Just a little bit of background. I ran a hospital system in South Texas for about five years, dealing with about 26 and a half percent uninsured, so I very much understand the challenges that these local community hospitals have been having.

Before I launch into my testimony, I want my colleague, Erik Wexler, to introduce himself, because he's going to be doing part of this presentation, as well.

MR. ERIK WEXLER: Good afternoon. My name is Erik Wexler. I'm the CEO for the Northeast Region of Tenet Healthcare. First of all, I adopt the testimony that I already gave.

It's a pleasure to be before you here today. This is somewhat of a homecoming for me. I spent 20-plus years here in Connecticut, 26 of those years on the not-for-profit side, and my first leadership role in health care was at Waterbury Hospital, so it's really great to be before you today.

MR. PILGRIM: Thank you, Erik. And, also, I adopt the testimony that I've previously given.

HEARING OFFICER HANSTED: Thank you.

MR. PILGRIM: Tenet, who we are, is a

company that was formed in 1976, so we've been around a good bit of time.

We restructured the company in 2002, due to some issues that the Interveners have already pointed out, and, in that time, we've restructured the Board, restructured the management team, put in place a brand new compliance program, and instituted a number of measures to ensure transparency of our organization, and we're going to talk a little bit more about each of those later today, I'm sure.

The company today is comprised of 80 hospitals, about 105,000 employees, roughly 200 outpatient centers across the country, over 23,000 affiliated physicians.

We've engaged nearly 12 million patients a year, and, as we move into the new world of health care and fee for value, we do have 12 organizations across the company and six health plans.

Erik is going to talk a little bit about the Northeast Region.

MR. WEXLER: So the Northeast Region is made up of our three hospitals in Massachusetts, MetroWest Medical Center in Framingham and, also, its campus in Natick. We also own St. Vincent Hospital,

which is located in Worcester. This is a tertiary teaching hospital. The two Massachusetts hospitals are community hospitals.

Jumping over Connecticut, in Philadelphia, we have two hospitals, Hahnemann University Hospital, which is an academic medical center affiliated with Drexel School of Medicine, and then St. Christopher Hospital for Children, which is also an academic medical center, serving the needs of children.

We proudly, at the bottom of the screen, list some of the accolades and recognition that our institutions have received.

You'll notice, frankly, I'll turn to the next page, because there's more there, we've been named a Top 50 Cardiovascular Hospital for several years in a row in Worcester.

We also are a Top 100 Hospital, named that for four years in a row. We've received recognition for the services that we offer in a number of our hospitals. You'll notice something at the bottom, The Chicago Spine Center, it's because some of my responsibility is also in Illinois, but Blue Distinction for hip and knee surgery.

We've received top hospital award several years in a row from Leapfrog for a number of our

hospitals, and, so, we are proud of the quality and service that we offer within our institutions here in the Northeast and, frankly, across all of Tenet. Trip?

MR. PILGRIM: Thank you, Erik. Additionally, our company has a rich history and successful history of forming partnerships. Health care is complex, marketplaces are different, varied, and require unique and innovative approaches, and we've done a lot of that through partnerships.

Since 2008, Tenet has acquired 30 additional acute care hospitals. Twenty-eight of those were in one slug, with Vanguard Health System acquisition roughly one year and 13 days ago.

The 30 hospitals that were -- excuse me. The 28 hospitals that were Vanguard, 25 of those hospitals were formerly not-for-profit hospitals, hospitals that have been serving their communities for decades and hundreds of years, lost access to capital, again, facing challenges not unlike what the Connecticut hospitals are facing today.

We've demonstrated, time and time again, to regulators, state regulators, federal regulators, other health care providers, accreditation agencies that we're a company you can trust. We're a company that you

can partner with.

A couple of examples are Detroit Medical Center, where we went in there in 2010. It was an eight-hospital system, academic teaching facility, the primary teaching site for Wayne State University, which is the largest single campus medical school in the United States, and we have 1,100 residents at the DMC.

It's the safety net hospital for Southeast Michigan. One out of four Medicaid patients in Michigan go through the Detroit Medical Center.

Valley Baptist is the hospital system that we have a partnership with, serve two hospitals in Harlingen and Brownsville, Texas. Very challenging population, high Medicaid, high uninsured population, and we've been there and been very pleased and the community has been very pleased with our roles there.

And, then, finally, Baptist Health System in San Antonio, where I was, that was a system that in 10 years we've put over a billion dollars in capital investment into that system, which included a new hospital. There's now six hospitals in that area and also included a replacement hospital, so we're very pleased and excited to be able to be in that community.

A few facts about Tenet, and I really want

to focus on the second and third bullet point, the second one being that we are a publicly-traded company, and, as a publicly-traded company, we really are subject to a higher degree of scrutiny.

We make public filings every quarter, we make public filings annually, and it requires a tremendous amount of transparency on our part as a company.

And, again, we're proud of the fact that regulators of the state and federal levels, creditors, investors, physician, employees all have commended us over the last several years for our approach to being in the corporate community and being a good corporate citizen and transparency and performance.

About a year ago, a little over a year ago, as I said, Tenet acquired Vanguard Health Systems. You really had two companies that were very complimentary in many ways, with some core shared beliefs.

Complimentary aspects has to do with the fact that Tenet was a company that was 40-plus years old. It was a sophisticated company, a lot of processes and procedures in place on how to manage its scale.

Vanguard was relatively a younger company, focused more on innovation, focused more on trying

different things, and focused more on trying to participate in the new wave of health care, so you really got the best of both worlds as these two companies came together.

Today, 12 months later, I would say the integration of these companies has been very successful. We've built upon that shared core of commitment to ethics and compliance, commitment to high patient quality, and commitment to driving value for those, who utilize and pay for our services.

Tenet's principles, these are something that we take very seriously, from the Directors, all the way down through each of our hospitals, and quality is at the top.

We're absolutely committed to providing the highest quality care possible for our patients. We have a couple of our physicians here that can speak to this in more detail later, but we are committed from all parts of our company to insure that we pursue that integrity.

It's very important. Compliance is very important, and we'll talk a little bit later about some issues that happened in the early part of the last decade with Tenet.

We have a very comprehensive compliance program that insures that we're doing the right thing and doing the best we can. Health care is the ultimate service business, and we're committed to doing that and providing great service first and foremost for our patients and families and then for our physician partners, who actually take care of those people.

Innovation, we live in really interesting times in health care. There's a tremendous amount of change, tremendous amount of shift in the way health care is being purchased and the way it's being paid for, and the way that we want to position ourselves for the future is absolutely be innovative, and that's very important.

Some transparency, finally, you know, as a public company, we're very transparent. We also participate actively in many of the quality reporting organizations and believe that the public, through the patients and the paying community, needs to have access to that transparency.

I also mentioned kind of the changing environment that we're seeing across the country. Ms. Strumstad and Mr. Contadini talked a little bit about the challenges that Waterbury Hospital has faced. I'm here to kind of also add that that's not unique.

You're seeing challenges across the country for independent community hospitals, as they are trying to deal with the change in environment, and what is that change in environment?

Historically, we've been in a reimbursement mechanism in health care, where it's really based upon volume. The more you did, the more you made, and that was the compensation in the reimbursement model.

We're in the process of shifting to a value-based model, where now it's how well you do. What kind of value are you bringing to the patients and to the people paying for those services?

And, so, the reward in the compensation going forward is going to be based upon value, not volume, and, so, given that, it's requiring what we think, first and foremost, some significant investments on the clinical infrastructure and the clinical informatics infrastructure, but, also, the willingness to embrace new ways of doing business, and we'll let Erik talk a little bit about some of those specifics.

MR. WEXLER: There's obviously so much that I can talk about regarding what we're doing at Tenet, but what we tried to do is note for you here the things where we believe we can make the biggest impact

and where our focus really needs to be.

I will tell you this journey for me and my colleagues has been very exciting, because, for me in particular, coming from independent hospitals and now working for a larger system in Maryland and a much bigger system in Vanguard and now one of the third largest in the United States, I have access to innovation and new ways of doing things that I have never had before, to information that we never had access to before.

So in terms of our innovation, it's not new news to you, that accountable care organizations are part of our future. They've been formed. We have 12 of those across our corporation. In my area of responsibility, we have two.

Our project in Massachusetts has been extremely successful. Our one in Chicago is doing well. The results of that will be coming out soon.

We've also employed bundle payment, which is a very innovative strategy of using the continuum of health care providers for not only providing care, but being aligned in the provision of that care, so that we can keep quality high and our costs down.

In Massachusetts, which I like to refer to as the Commonwealth, which has health care steroids, has

been inundated with reform for many years now, so the risk platform is something we're quite used to and have been successful in using in our hospitals there.

What is important about the risk platform for us is, once again, this requires to be successful, at least in our opinion, that there's alignment among the hospitals, the physicians and the payer, and that seems to have worked well for us and something we would be excited to employ here in Connecticut.

You know, as I walk around our hospitals, through the halls and rotate through our operating rooms and our emergency departments, I recognize every day that talent is extremely important, and, so, our organization works very hard to make sure that we have a competitive compensation structure.

In addition, we do everything we can to try to advance our associates. We have something called the Tenet Leadership Academy. We have another program, called the Finance Leadership Academy, and these are opportunities for those that are in administrative roles or working their way up into administrative roles to learn more about how they can perform through a set of learning and educational opportunities throughout the year.

We do the same thing for our frontline staff on the clinical side. We've got clinical councils that not only include multi-disciplinary clinicians, but experts from around the industry to help us make the right decisions about the care that we provide, and, of course, we have the capital to invest in our institutions.

And given the challenges that we all face with health care reform and reimbursement declines, having access to high-tech equipment is extremely important in the provision of high-quality care.

No doubt, probably one of the most important things that I've been able to experience, but that has helped us provide good quality care, is the economies of scale that we get.

We get better pricing for supplies, for equipment, we have more data than I've ever had access to in my career, and these things have helped us deal with the challenges that we face today.

So, with that, I'll turn it back over to Trip to talk about our investments.

MR. PILGRIM: Following up on Erik's comment about capital expenditures and access to capital, you can see, over the last five years, that we've had

over 16 percent compounded growth rate in our capital spent and that's important. Health care is a capital intensive business.

Hospitals are expensive, some of the most expensive square foot in the country. Equipment is expensive. In order for us, we believe, to continue to grow, and that's our primary strategy as a company, is to grow, we have to make those investments.

This chart also illustrates the reality versus one of the myths about an investor-owned company, hospital company, and one of the myths about being an investor-owned company is that, you know, we've got to pack all our money up in suitcases and send it over to New York, because that's what the investors want. They want the dollars.

That's not why people invest in our company. As a public company, we've never paid a dividend. Our free cash flow is plowed back into our markets, and this chart illustrates that amount of capital investment.

In addition, I can talk about Detroit, Michigan, where the seven-year capital commitment is $850 million. San Antonio, Texas, where capital commitment was $200 million, we spent 400 in that six-year

timeframe, and, in 10 years, we put a billion dollars, as I referenced earlier, so the important thing really we bring to the table for hospitals, such as Waterbury, that have capital access issues is that we do have a sustained capital access model, by virtue of being investor-owned.

What is the difference between being investor-owned and not-for-profit? We can access the equity markets. We also access the debt markets, but it gives us the kind of flexibility that we need to be able to sustain upturns, downturns in the economy during ’07, ’08 and ’09. We didn’t have one capital project that had to be slowed down or stopped.

That wasn’t the case for large not-for-profit systems around the country, so the capital access is important. We also pay taxes. I think that’s important for the communities that we’re in, and we can talk more about some of the other myths later, but that’s an important thing.

Erik is going to talk a little bit about Connecticut and why we want to be in Connecticut, why we think Connecticut is a great opportunity.

MR. WEXLER: Tenet has really the opportunity to go anywhere in the country. As you know, we are in many parts of the country, but we like

Connecticut for a number of reasons.

We believe the demographics here are very strong. We believe that the affiliation that we plan to develop with Yale-New Haven Health System will be material in our ability to deliver quality care to the patients that we serve.

The deployment of service lines to our hospitals, with the expertise that Yale-New Haven offers, in conjunction with the excellent physician base and services that are provided at the hospitals here, we think makes our opportunities in Connecticut to be quite strong.

I mentioned my regional format to you much earlier, and it’s my strong belief that that structure will provide the type of scale that will help the hospitals in Connecticut to be successful.

And, finally, as we look at Waterbury Hospital and others that we are speaking with, we think they are strong and experienced and able to participate very well within the culture and format that we offer.

So, at Waterbury Hospital, full range of services, tertiary teaching hospital, nice compliment to the services that we currently offer throughout the Northeast and around Tenet. They have an excellent

clinical reputation, as Darlene pointed out earlier in her remarks, and I still know many of the employees and the medical staff and leaders there and know them to be excellent, so we are looking forward to hopefully having them become our associates.

And the nice thing about Waterbury for both hospitals that are here is there's a very strong community following. People are very committed to these institutions, and that is materially important to our corporation.

The next slide outlines our due diligence process. Obviously, we've gone through extensive studies regarding Waterbury Hospital. We have examined just about every corner of the hospital one way or the other, and we appreciate their open door.

We've spoken with the medical staff. We've had on-site meetings, both at the hospital and at our hospitals, in particular, in Worcester.

We have talked quite extensively with elected officials, in particular, the Mayor of the great City of Waterbury, and, of course, to local business leaders.

We have spent time with our community leadership here in Waterbury. We assessed the

demographics. We've analyzed the numbers through and through, especially the two gentlemen sitting behind me to my right, and we've decided that we can truly make a difference in this City.

This could be the one chance in our careers to truly help recreate health care in a very important city here in the state.

MR. PILGRIM: Very briefly, because this is detailed extensively in a number of areas in the application, but, briefly, we're talking about a transaction that has a $45 million purchase price. That represents 80 percent interest in the joint venture with GWHN.

The important thing is the long-term debt that they're currently carrying is going to be extinguished. Pension plan obligations are going to be satisfied. There's still going to be local governance and local input through the partnership, and, so, we're very excited to go forward with that.

In addition, there's a $55 million capital commitment on a go-forward basis for this community, and then, as you'll hear tomorrow, we've layered on top of that another 30 million in capital commitment with the St. Mary's transaction. That represents about an 85

million total capital commitment for the Waterbury community.

So what do you end up with? We believe we end up with a stronger Connecticut hospital. Waterbury Hospital has been very committed to providing high-quality care. Tenet is very committed to providing the highest quality care possible.

We think we're going to end up with an organization here that certainly there's going to be no reduction in services, but, in fact, we have the opportunity to grow services as we make those capital investments, as we make investments in the ambulatory platform.

We look for opportunities to grow the clinical services, as I indicated, and to grow the physician base. We have a shortage of physicians in many markets around this country.

Having the partnership with Yale-New Haven Health System and with our national footprint and national presence we're going to have an ability to look for, attract, and retain physicians that otherwise may have been difficult for this hospital to acquire.

Kind of continuing on the theme of what we're going to end up with, I mean, again, you know, the

ability to offer health care locally, which it is a local business, but the ability to offer that locally within the heritage and the legacy of that existing system, while, at the same time, taking advantage of those scale economics, we think is a very great opportunity, not just for Waterbury Hospital, but for the other hospitals we're talking to.

We're doing a tremendous number of things as a company that we can bring to bear here locally, whether it's our clinical care councils. There's our Lean Daily Management programs we have in place across the country, error prevention.

Dr. Bagget, who is with us, will have an opportunity later today to talk to you about exactly what we've done on a real-time basis on our Ebola preparation in Tenet, and this is real time.

This has been going on the last month, six weeks for us as a company, and he can tell you exactly the benefits by having those kinds of resources and how we're cascading that back out to 80 hospitals, so they're prepared real time, unlike a lot of hospitals in this country.

And, then, finally, I just want to point out that, you know, we're a big company. We're in

Dallas, Texas. We're also very, very proud of what we do every day, and we're proud of the awards that we've received from various quality organizations, from accreditation bodies.

We know how to provide quality care. We know how to do it in an efficient manner. We want to be a value provider. We want to bring a value product to Connecticut, to the patients of Connecticut and the payers of Connecticut.

We have the financial strength. We have the capability and the capacity to make these investments.

Finally, I just want to say we're committed to Connecticut. We've been here now -- I pulled out my first presentation for Waterbury Hospital. It's dated July 11, 2011, so we've been here quite awhile, and we're committed.

I do want to say thank you to the representatives from OHCA and thank you to the representatives from the Office of the Attorney General and appreciate the opportunity to present today. Thank you.

HEARING OFFICER HANSTED: Thank you. Counsel, anything further from the Applicants?

MR. SHEARIN: No. At the right time, we'll have the other witnesses adopt their testimony.

HEARING OFFICER HANSTED: Sure. Thank you. CHCA, do you have any Cross-Examination at this time?

MR. MURRAY: Yes, Mr. Hansted. I just had a few questions for Ms. Strumstad and Mr. Contadini. Either one can answer the questions.

The first one is is there anything in the agreement that you negotiated with Tenet, which would protect the current staffing levels at Waterbury Hospital?

MS. STRUMSTAD: We have agreed with Tenet in writing and it is in our documentation, which I'm sure you have seen, that at the time of close, all employees will be assumed into Tenet in the roles that they're in today.

MR. MURRAY: I understand that, and I've read that. That's not exactly responsive, I think, to my question. I mean it's true, isn't it, that the going forward organization there's nothing in your agreement with Tenet, which guarantees staffing levels in the going forward organization as the hospital's development?

MS. STRUMSTAD: No, there is not, because

staffing levels in hospitals are based on volume, so as volume goes up, which is our goal with the Tenet organization to attract back market share, one would assume that we could attract back more staff. There is not guarantees, no.

MR. MURRAY: So it is possible that staffing levels could drop?

MS. STRUMSTAD: If volume drops, yes.

MR. MURRAY: Okay and there's nothing in the agreement, is there, that you negotiated with Tenet that would prohibit the going forward organization from subcontracting, for example, medical services, or the provision of services on a particular medical service, geriatrics, primary care?

MS. STRUMSTAD: I'm not exactly sure what you're asking. About primary care, outsourcing primary care, we employ primary care physicians right now. There will be primary care physicians employed in the future.

There are also independent physicians in our community, which we hope will stay, and we expect them to stay and grow, so I'm not sure if that's the question you're asking.

MR. MURRAY: Well the question I'm asking is there's nothing in the agreement, is there, that would

prohibit the going forward organization from, for example, deciding to end -- let's assume there's doctors, who are currently employees of Waterbury Hospital, subcontracting their work, the services they've delivered through the hospital to a third party organization.

MS. STRUMSTAD: Okay, now I know what you're talking about. You're talking about outsourcing an organization of physicians, a subspecialty group, like, for example, we do with our E.R. physicians right now, to a company called MCare.

There is nothing that prohibits that, however, we do feel that there is strong local control and local governance, and there would be no reason for us to disrupt systems in place that are today presently working well.

MR. MURRAY: But, in answer to my question, there's nothing --

MS. STRUMSTAD: There is no guarantees. There is no guarantees. There is no guarantees in health care for anything, for anybody, and I think that's what reform is about.

HEARING OFFICER HANSTED: And just a reminder, when you're speaking, try not to over-talk each other. It's very difficult for the court reporter.

Thank you.

MR. MURRAY: Court reporters are often the most important people in a room.

HEARING OFFICER HANSTED: Yes, they are.

MR. MURRAY: I apologize for that. And, so, that question would operate, the answer that you just provided, it's true, would be the same, for example, with nursing services, subcontracting to an outside provider for nursing services?

MS. STRUMSTAD: I don't know of any organization anywhere that outsources nursing services, unless you have shortages and you bring in short-term resolution, called travelers.

The value that is Waterbury Hospital is the experience that our staff has. There would be no good business reason for Tenet Health Care, which is really acquiring the relationships, the experience and the professionalism of our caregivers, that's our value, to outsource or disrupt that relationship. No good business reason, whatsoever.

MR. MURRAY: Thank you for that answer. I don't think it was responsive to my question. There's nothing --

MS. CONNORS: I'm just going to object.

That would be for the Hearing Officer to decide, so, if you have an objection, please place it towards the Hearing Officer.

MR. MURRAY: In answer to my question, it would be accurate to say that there's nothing in the agreement that would prohibit such subcontractor, correct?

MS. STRUMSTAD: Is there anything in our agreement that says we can't outsource nurses? No.

MR. MURRAY: Okay, thank you. And there's nothing in the agreement that would prohibit the going forward organization from closing services at Waterbury Hospital and telling patients that, if they want those services, they have to get them, for example, at St. Mary's, isn't that correct?

MS. STRUMSTAD: There are several levels of governance in the agreement that doesn't make it that simple, as you are suggesting.

First, there is the Joint Venture Board that oversees all those decisions. Secondly, the Waterbury Hospital Foundation, which will be our surviving foundation that will be owned -- that will own 20 percent of the joint venture has the ability to oversee and weigh in on any of those kinds of decisions.

And the third level of I would say reassurance is the fact that the closure of any health care service, whether you're for-profit or non-profit, must go before OHCA and receive approval.

MR. MURRAY: Thank you. And, lastly, I noticed in one of the slides, I don't know if it was in your presentation or the Chairman's presentation, an indication that, as part of the due diligence, Waterbury Hospital met with various employee organizations, including its Unions.

MS. STRUMSTAD: Yes.

MR. MURRAY: It's true, isn't it, that Waterbury Hospital management never met with the Nurses Union on this particular issue?

MS. STRUMSTAD: We met with our Nurses Union multiple, multiple, multiple times and discussed many, many different things, and I am sure we discussed this and the reassurances that the nurses would remain in their jobs when we became a Tenet organization. Absolutely, we talked about it.

MR. MURRAY: A specific meeting for this purpose, outside of the boundaries of what you're required to do by Collective Bargaining?

MS. STRUMSTAD: Oh, absolutely.

Absolutely. In fact, Trip met with all the nurses, came in and met with all of us. Erik and an H.R. V.P. from Tenet also came in and met with the Nurses Union. Absolutely.

MR. MURRAY: So if the Union had a different take on those meetings, they would be incorrect?

MS. STRUMSTAD: I'm sure I have it in my calendar.

MR. MURRAY: I have no other questions.

HEARING OFFICER HANSTED: Thank you, counsel.

MS. STRUMSTAD: Excuse me, but you didn't tell me your name.

MR. MURRAY: I'm sorry. Henry F. Murray. I'm counsel to the Nurses Union.

MS. STRUMSTAD: Thank you.

HEARING OFFICER HANSTED: Counsel, any Redirect?

MS. CONNORS: None.

HEARING OFFICER HANSTED: Thank you. Thank you, sir. You may proceed. Can you come up to the microphone?

MR. RAWLINGS: My name is James E.

Rawlings, and I had a, going through some of these presentations, I had a few questions.

First of all, I'd like to really thank OHCA and the Attorney General's Office for giving us the audience to respond to this significant change in health care in Connecticut.

This morning, around 9:30 --

HEARING OFFICER HANSTED: Mr. Rawlings?

MR. RAWLINGS: Please?

HEARING OFFICER HANSTED: At this time, I'm just asking for Cross-Examination. You will, in a few minutes, have an opportunity to make your presentation.

MR. RAWLINGS: Yes. This is not a presentation. On page two, and I think this is a significant issue within Tenet's presentation, I don't see there any recognition of a magnet status for any of the hospitals within Tenet.

MR. ZINN ROWTHORN: Excuse me, sir. Can you just point out page two of what?

MR. RAWLINGS: Of their presentation.

MR. ZINN ROWTHORN: Tenet or Waterbury?

MR. RAWLINGS: Tenet Health.

MR. ZINN ROWTHORN: Okay.

MR. RAWLINGS: Slide two.

MR. ZINN ROWTHORN: Mr. Rawlings, this page, sir?

MR. RAWLINGS: The one I can see here it says Tenet Health.

COURT REPORTER: Speak right into the microphone.

MR. RAWLINGS: Tenet Health.

MR. ZINN ROWTHORN: I think that's a reference to the pre-filed testimony?

MR. RAWLINGS: Yes. I'm looking at the about Northeast Region, and it has several citations, and I was simply asking the question has Tenet received magnet status from the nursing services of any of their hospitals?

HEARING OFFICER HANSTED: Is the Applicant clear which exhibit he's discussing? Okay.

MR. PILGRIM: If he's referring to magnet status as a nursing designation, if that's his reference, then the answer is, yes, we have eight hospitals that have nursing magnet status.

I'd be happy to have Dr. Bagget speak to detail, if you desire.

MR. ZINN ROWTHORN: Okay. I'm sorry. For

my benefit, what status are we referring to?

MR. PILGRIM: Nursing magnet status is a recognition that a hospital is following a whole set of guidelines around nursing practice.

HEARING OFFICER HANSTED: Let's do this. If you want to have someone testify, why don't you bring them up to the microphone and have them answer?

DR. KELVIN BAGGET: Kelvin Bagget, and I adopt my previously-submitted testimony.

HEARING OFFICER HANSTED: Thank you.

DR. BAGGET: And I'm the S.V.P. over Clinical Operations and the Chief Clinical Officer for Tenet. I was just asked a question that I don't know the exact answer to, so I'm not going to speak to that.

There is a small number of hospitals in the nation that have magnet hospital designations. Since I don't know the exact number, I prefer not to state that, but I can speak to the fact that there are eight hospitals within our portfolio, who do have nursing magnet status designation, and three of those hospitals are included in the Northeast region.

HEARING OFFICER HANSTED: Thank you. Mr. Rawlings?

MR. RAWLINGS: Thank you. Again, I'm

looking at Tenet business model. If you can find that on the slides? It talks about employee innovative methodologies, attracting the best talent, and implementing efficiencies in economies of scale.

What is absent from that, when I read the previous documentation, is that they will have enhanced collection standards, but it's missing from the slide. I'm wondering why it's missing from this slide and it's in the body of the other documentation.

MR. WEXLER: We only limited this to a certain number of scale opportunities, but you're referencing Conifer, which is our billing and collection unit, and, yes, that will also offer economies of scale, so thank you for including that.

MR. RAWLINGS: I raise that as a significant issue to the community. Some hospitals, and the Attorney General knows this well, have lost their hospitals, because of aggressive collection standards.

I just want to make sure that the audience and everyone understands the risk that we have if they haven't explained that and haven't opened it up for discussion or presentation in this forum.

I'd really like to commend the Chairman of the Board for his presentation, as you talk about health

care broadly. It's incongruent, I found, in reading through the documentation of Tenet's, which is solely a vertical business model of our hospitals, and I'm wondering how that gap will be closed between the community vested model from Waterbury's presentation and Tenet's model, which is simply vertical hospital business.

MR. SHEARIN: I just don't understand the question. Perhaps you could repeat it, sir?

MR. RAWLINGS: When I listened to Mr. Chairman of the Board from Waterbury Hospital, he talked about community health in broad terms. He used the word community several times.

When I read through and saw the slides today from Tenet, there's an absence of any community involvement. It's a vertical business model only.

MR. SHEARIN: Perhaps somebody from Tenet can address that.

MR. WEXLER: I'll address it. You know, the best way I can address it is to tell you, sir, that I have been in health care for 20-plus years, and, well, I'm adding them up. It's probably 22. Nineteen of those years, 18-plus, were on the not-for-profit side. Three years had been on the for-profit side. I've been in not-

for-profit work for 26 years. I started out in academia in Hartford at the University of Hartford.

Our commitment is to local community care. We are very committed to our communities, and, in my experience, from all the years I've worked on the not-for-profit side to the years I'm working on the investor-owned side, I see no difference.

In fact, I think, you know, the institutions that I'm working with now in the Northeast Region are extremely aggressive in our outreach opportunities.

We have programs that provide vaccinations, that provide screening. We have pregnancy clinics. There are things we do to support the United Way, local charities.

My feeling is that I'm still very much connected to the community and that our institutions, whether investor-owned or whether tax-exempt, are very committed to the communities.

MR. PILGRIM: I'd like to add on.

HEARING OFFICER HANSTED: You may proceed.

MR. PILGRIM: Thank you. Just to add onto Erik's comments, I can speak to Detroit. I also can speak to the Phoenix, Arizona, San Antonio, Texas. Our

organizations are heavily involved in the community.

You can't operate hospitals successfully without being integrated in the community. By definition, they're community assets.

San Antonio, Texas, we have immunization programs in place that we fund. We have started something known as the Faith Family Clinic in San Antonio, because, given the high uninsured rate in Texas of 26 and a half percent, we wanted the working uninsured to have a medical home.

We funded it. It's now self-sustaining. You have to have a job. You have to be employed. You go. You have a medical home. We coordinated the care from the primary care physicians, as well as the sub-specialists.

Phoenix, Arizona, we had a whole array of skilled-based clinics that we've set up, so if Dr. Rawlings did miss some of that, and maybe we didn't detail all that in the application, but just to echo Erik, we are heavily involved in the communities we serve, and, so, thank you for the opportunity to respond.

MR. RAWLINGS: I have one final question. I'm looking at the proposed joint venture, J.V. Trustee Boards going forward.

It's my understanding that, at Waterbury Hospital, they currently have one African-American as a Trustee, and Tenet has two out of 30.

I'm wondering, when we end up with this 12-member new Board, how will it diversely be included at all?

MS. STRUMSTAD: I'll take first shot at answering that. First, Waterbury Hospital has two African-Americans on its Board.

Additionally, right now, we have members, kind of like members of Trustees, and we have actively gone out and recruited membership onto our members that is more reflective of the neighborhoods of Waterbury.

That gives us now the opportunity to become more acquainted with people that we can use to help populate both the hospital community Board of Trustees that will exist to oversee quality and credentialing, as well as the Hospital Foundation Board, and the Hospital Foundation Board will also have an Advisory Committee that makes recommendations to improving the health care of this community long into the future, so we are actively developing an access pool, if you will, to the community, so that we have those connections, so I think we are doing a good job of that.

MR. RAWLINGS: That wasn't quite my question. My question was will there be diversity within the new 12-member Board?

MR. PILGRIM: Dr. Rawlings, we're absolutely committed to diversity in our governance, in our hospital leadership, and in the overall employee base that we have across the country.

Tenet Healthcare has a nine-person Board that includes two African-Americans and two females on that Board.

I can't speak to every market for us, but the market I ran my Chief Medical Officer was African-American. My Chief Nursing Officer was African-American.

I'm afraid I didn't keep up with all of the Hispanics. It was San Antonio. But we're very committed to that at all levels of the organization.

MR. WEXLER: May I add?

MR. RAWLINGS: No more than a commitment, not an absolute, relative to diversity on the new Board.

MR. WEXLER: I'll add to that. The local Boards of Trustees are appointed by a nominating committee that's made up of members of the Board of Trustees.

Me and my region participate afar on that,

but we take those recommendations, we accept those recommendations. The Board of Trustees votes on those recommendations locally, so if there is interest from others in the community to participate in the Board at Waterbury Hospital, they should certainly let the CEO or the Chairman of the Board know that.

MR. RAWLINGS: I find that unsatisfactory, but I'll end my questioning. You should be aggressive, relative to diversity on the Board and with outreach, and a mixture is included in the 12 members.

That's important, relative to the cultural competency of this new organization.

HEARING OFFICER HANSTED: Thank you, Mr. Rawlings. Counsel, do you have any Redirect?

MR. SHEARIN: No.

HEARING OFFICER HANSTED: Okay, thank you. Before we proceed to our questioning, counsel, would you just bring up the folks that have pre-filed, just so they can adopt their pre-filed testimony?

DR. OCTAVIO DIAZ: Hi. I'm Dr. Diaz, and I do adopt my pre-filed testimony.

HEARING OFFICER HANSTED: Thank you. Is there anyone else?

MR. SHEARIN: That's the pre-filed. We

had two other witnesses raise their hand, who may speak, but they did not submit pre-filed testimony.

HEARING OFFICER HANSTED: Okay, thank you. At this point, OHCA has some questions. We're going to take a 10-minute break. Thank you.

(Off the record)

HEARING OFFICER HANSTED: Okay, we'll go back on the record, and, as I was stating before the break, OHCA has some questions, so we'll start with those.

MR. LAZARUS: Steven Lazarus, OHCA staff. I will direct the questions towards the Applicants, and whoever feels fit can respond. Just state your name before you respond, please.

The first question is what is the plan to coordinate care between the two hospitals for their patients to have seamless transition between the facilities and particularly related to the ethical and religious directives?

MR. WEXLER: Erik Wexler, CEO for the Northeast Region. All care is directed by the physician, so if the physician feels that a patient needs to receive service at one or the other institution, then we will go by the physician's orders.

However, in relation to the ethical and religious directives, we have a responsibility to follow those, as we do with our other hospitals throughout Tenet.

In fact, one of our hospitals in the Northeast is St. Vincent Hospital, and our performance around the ethical and religious directives, as it pertains to, say, St. Vincent Hospital and hopefully ultimately St. Mary's Hospital, will be carefully monitored by here in Connecticut the Archdiocese as it is the Diocese in Massachusetts.

MR. LAZARUS: Are there any transportation protocols that are in place or will be put in place?

MR. WEXLER: Absolutely. I'm sure there are transportation protocols that currently exist, but if they need to be enhanced, we'd be prepared to do that.

MR. LAZARUS: Okay. On page -- I believe the page is 1956 and 57 of the interrogatory responses, Tenet and Yale Alliance is described as Yale providing both Waterbury area hospitals with service line agreements and subspecialists, among the other things.

What safeguards are in place to avoid conflicts of interest that Yale might have to avoid the type of support as a second priority to supporting

hospitals that it currently owns 100 percent ownership interest in, as opposed to only 20 percent ownership?

MR. PILGRIM: The ultimate partnership between Tenet and Yale-New Haven is on the hospital side, where Yale-New Haven has 20 percent, and what we're accessing through that partnership is Yale-New Haven's clinical enterprise, their expertise, intellectual property around various clinical protocols, processes, as well as accessing their ability to attract and retain some super subspecialists.

The goal of that relationship is to actually increase the acuity of care that's delivered at each of these communities, so the people, who reside in those communities that need care, won't have to get on the interstate and drive somewhere else.

The incentive for Yale to do that, and you have to kind of look at the way health care is changing today, from an old world of fee for service or the more you do, the more you make a volume-based program, to one, where you're going to be rewarded and compensated, based upon the value you provide, how well your outcomes are, and how cost efficient you are providing those outcomes.

The reality is is that Yale-New Haven Health System is a very large academic and research

organization, and you'll never be cost competitive with a community-based hospital when you're carrying the overhead associated with teaching, with research, and with all those things that Yale-New Haven Health System does.

And, so, as we move into a new world, kind of the catalyst being the Affordable Care Act, Yale-New Haven's incentive is to look for low-cost community-based alternatives, so they can participate on a more broad geographic scope, have access to a lower cost venue.

So, for instance, a cholecystectomy or an appendectomy doesn't show up in a very high-cost teaching environment, when they can absolutely be done, done very effectively, quality care can be provided and provided cost efficiently in a community-based hospital, such as Waterbury or Bristol, Manchester, for that matter.

And, so, their incentive, obviously, is to, then, look for those lower cost alternatives.

MR. LAZARUS: And is that documented in the Strategic Alliance Agreement that you have, some sort of documentation that sets out the priorities?

MR. PILGRIM: Yes.

MR. LAZARUS: Okay and can OHCA have a copy of that Strategic Alliance Agreement as Late File 1?

MR. PILGRIM: I think the answer is yes, but that Strategic Alliance Agreement doesn't become effective until we've actually had an opportunity to execute a transaction in the state.

MR. LAZARUS: Can OHCA get a draft copy?

MR. PILGRIM: All right.

HEARING OFFICER HANSTED: Okay. I'll order that as Late File Exhibit 1.

MR. LAZARUS: And for the purposes of housekeeping, at the end of the day, probably tomorrow, we'll put any late files that we have we'll put in writing and submit to you, so we know exactly the format and things we would get to clarify, but we'll have a few other late files.

It was also stated on page 1957 of the interrogatories that Yale will not have any involvement in the management of either hospitals. Can you confirm that?

MR. PILGRIM: Correct.

MR. LAZARUS: All right. Just some more directed towards Waterbury Hospital. With respect to your current joint ventures with St. Mary's Hospital, such as the Harold Leever Cancer Center and the Greater Waterbury Heart Center, how are the ERD's protocols

currently handled?

MS. STRUMSTAD: ERDs?

MR. LAZARUS: Yes. The Ethical and the Religious Directives.

MS. STRUMSTAD: Okay. I have to think about this for a minute, but I don't think there are any services that are done through the Heart Center or through the Harold Leever Cancer Center that would bump into or overlap with the Ethical and Religious Directives of the Catholic Church.

MR. LAZARUS: Okay and are there any other services or any protocols in place to address what I brought up earlier, as far as some sort of seamless transition for patients, should that be an issue?

MS. STRUMSTAD: If it were an issue, it would be an issue on the St. Mary's campus, which means that patient would, then, be transferred to Waterbury Hospital, so if we need to have separate transportation agreements to put that in place and safeguard, we would do that.

I'm not sure I understood your question, so I'm not sure if I answered it.

MR. LAZARUS: I think you answered it.

MS. STRUMSTAD: Okay.

MR. LAZARUS: Thank you. With respect to the Tenet and VHS capital commitment, can you identify in order of priority the most critical capital projects, in terms of construction and renovations, for the hospital buildings, medical equipment, information technology, that the Greater Waterbury Health Networks bored and senior management have currently identified?

MS. STRUMSTAD: Yes. We have no shortage of equipment that needs to be replaced. We have one CAT scan that’s nine years old and another one that’s older, so just replacing some of our workhorse equipment, our x-ray machines, our newest x-ray machine is almost 10 years old, our nuclear medicine cameras are, I think, 2008 that we acquired them, so there are just some basic replacement equipment that we need to do first.

The second tier priority for our organization is to invest in an outpatient service strategy. As I know we have talked about before in many venues, one of the things that has happened, because Waterbury has been cash strapped for so many years, is that we were not able to go out and invest in an outpatient strategy in the markets that we also serve outside of Waterbury Hospital, so we left those markets for other hospitals and other communities to come in, and

we need to rebuild an outpatient service strategy around our community. That would be the second.

Inside the hospital walls, probably a couple of med/surg areas need some work, and I think some of those we have dollars set aside for remodeling some projects inside the hospital walls and not necessarily vetted out exactly what they would be.

MR. LAZARUS: What plans does Greater Waterbury Health Network Board have in place to raise the required funding to implement these critical capital projects, without the approval of this proposed purchase?

MS. STRUMSTAD: We have no plans to be able to do this on our own.

MR. LAZARUS: As a late file, can OHCA get a list of these capital priorities that you have?

MS. STRUMSTAD: Absolutely.

MR. LAZARUS: If you can put next to it the associated costs and dollars that go along with it?

MS. STRUMSTAD: Yes, we'll do that.

HEARING OFFICER HANSTED: Okay and that will be Late File No. 2.

MR. LAZARUS: What is the proposed allocation of the total $85 million in capital investment between the Waterbury hospitals?

MR. WEXLER: It's intended to be, in total, 85 million. We will work with the hospitals on the distribution of that capital. We look for local input to that from hospital administration and, as well, from the medical staff of each of the hospitals.

Those recommendations are, then, funneled up to my leadership team, and, usually, there's a discussion around that, and then final approval is made at our corporate office in Dallas in conjunction with regional leadership.

MR. LAZARUS: And what assurances of the Board, for example, of Waterbury has obtained that the capital needs of Waterbury Hospital will be properly addressed?

MR. CONTADINI: I believe, in our documents and the purchase agreement, that we are, over a seven-year period, that the $55 million will be spent over that period of time, and that's what we have in our documents today.

MR. LAZARUS: Now, earlier, when somebody testified, and I think somebody had mentioned that physician recruitment was part of that capital expenditure, could you elaborate on that, because I hadn't thought physician recruitment would be part of the

capital expenditure?

MS. STRUMSTAD: Well physician recruitment is a very expensive endeavor. Waterbury Hospital medical staff has an average age of 59, and you would want your average age of your medical staff to be around 45, because that provides you growth in the future.

At 59, we see 20 percent of our medical staff would be within, you know, five years of retiring, so we have to have a strategy in place and the dollars available to recruit physicians into our marketplace.

We are not going to bring in 50 physicians in one year. What we've done is a complete analysis of our medical staff.

We look at the total needs that you need per population. We look at the age of our medical staff. We look at the total FTEs available, and then we can identify what the priority order is of recruiting physicians in, but to recruit a physician in, you have to pay the salary.

In some cases, more often than not, we are finding physicians that want to be employed, so there is an expense, and it takes probably a year and a half to two years for there to be a return on that recruitment.

MR. PILGRIM: And, to clarify, we're not

talking about the actual salary or compensation-base of the physician, but all the dollars that are involved, which are significant in recruiting the physician to the location, including potentially TI build-out, and, as a part of our ambulatory strategy, we're going to be building out different distribution boards, different locations, and then we put those physicians there, as well. We're not talking about just the salary expense.

MR. LAZARUS: For the Waterbury one, can we get a list of the priorities broken down, say, with a timeline?

MS. STRUMSTAD: Yes.

MR. LAZARUS: So we can sort of track that, as well?

MS. STRUMSTAD: Yes.

MR. LAZARUS: And, also, if you can associate any costs associated with those, as well?

MS. STRUMSTAD: Okay. I definitely will.

HEARING OFFICER HANSTED: I'll order that as Late File No. 3.

MR. LAZARUS: According to Mr. Trip's pre-filed testimony, I believe it's on page four, and, also, pursuant to the contribution agreement, Vanguard will make a cash contribution to the joint venture equal to

the share of 80 percent of the purchase price of Waterbury Hospital's contributed assets.

Can you provide a copy of Vanguard Health System's fiscal year 2013 audit or financial statements as a late file?

MR. PILGRIM: Technically, there's not an audit for Vanguard Health Systems in 2013. What we have is the filed 10-K or 10-Q for Tenet Health Systems.

Tenet is a 1231 fiscal year end. Vanguard was a 630 year end. Had Vanguard not been acquired by Tenet, then we would have had an audit conducted, but since the acquisition, that order will be conducted on the entire Tenet organization as of the fiscal year in 1231 2014.

MR. LAZARUS: Okay, so, would we be able to get a copy of 10-Q?

MR. PILGRIM: The last 10-Q that was filed was filed on a 630 results. Our 10-Q for our 930 results will be filed November 2nd, I believe. November 2nd.

And, certainly, you will have access to that at that date.

MR. LAZARUS: All right, then, we'll ask that we get a copy of that as a late file.

HEARING OFFICER HANSTED: And that will be

Late File No. 4.

MR. LAZARUS: And when you say November 2nd, which --

MR. PILGRIM: I'm going from memory. I think that's when the quarterly call will be, because, as a publicly-traded company, we can't distribute that information prior, and then it's distributed on a widely disseminated basis.

You do have the June. We have provided June filings. You have that in your file, so we'll provide you the September as soon as it's publicly available.

MR. LAZARUS: Also, in your pre-filed testimony on page four and, also, part of the contribution agreement, the purchase price of $45 million will be reduced by Waterbury Hospital's net book value of the net working capital at the time of the closing, the hospital's asbestos abatement liability, pension liability, capital lease obligation, etcetera.

Can you provide documentation with a table depicting the total net assets of the Foundation before and after the adjustments? That's for the net working capital, pension, liabilities, etcetera, with the updated financial data as of September 30th.

MS. STRUMSTAD: We can provide the Foundation operating budget and balance sheet cash position.

MR. LAZARUS: Okay. We'll make that Late File 5?

HEARING OFFICER HANSTED: That will be Late File No. 5.

MR. LAZARUS: When we give you the detail, we'll give you a table, a format to follow to make it easy.

MR. PILGRIM: And just to clarify, the net working capital adjustment, that number won't be finalized until post-close. I mean we have an estimate of what the net working capital is, but, obviously, that changes on a monthly basis.

MR. LAZARUS: That's fine. Also, in responding to question 11C of page 1968 of the interrogatory, the Applicant indicated that the projections submitted that the Applicants expect the joint venture to generate positive income from operations by fiscal year 2019.

The Applicants also provided a table, showing the upward trend of the income from operations on page 1969. Can you please confirm the projection is

still correct on the timeline that was provided in there?

MR. PILGRIM: Correct. That's the ones that are still current.

MR. LAZARUS: Also, in responding to question 11B on page 1968 of the interrogatories, the Applicants indicated that the capital investments being made on behalf of the joint venture include projects that will increase the number of patients using the joint venture, thereby increasing the revenues and the income.

Can you please provide a discussion on what type for these projects are how they will generate an increased number of patients using the joint venture?

MR. PILGRIM: One second, please. The investments that we're going to be making into the community, first the facility at Waterbury Hospital, but, also, into the Greater Waterbury community, are being done for several purposes.

First and foremost, as Ms. Strumstad indicated, you know, there are acute capital needs at that facility, and, you know, we'll be looking at those on a priority basis, life safety being at the top of the list.

Additionally, as we move into an environment, where we providers are incented for patients

to be treated in venues other than an inpatient, acute care inpatient facility, we're going to be making investments in different distribution points throughout the community and the greater community; ambulatory clinics, primary care clinics, chronic care clinics, rehab, etcetera.

What the mix of those are and what those actually ultimately will be will be subject to a fairly exhaustive strategic planning process.

That strategic planning process necessarily will include the local medical staff, leaderships of the local medical staff, the leaderships at the local facilities, as well as input from the governing Boards, which includes community participation.

We can't decide how to allocate that capital from Dallas, Texas. It has to be done locally and subject to a planning process, which we can't really kick off until we own the facilities.

So we can talk generically about the types of things we've done in other markets and how that can, then, attract, we think, additional patients, and it's really our goal and, as I stated earlier, the goal with our Yale-New Haven partnership, is to increase the clinical acuity offering in these communities, where

patients don't feel the need to travel, to insure that we've made the right clinical investments in the clinical service lines and, also, in the right location investments, so that we're offering, first and foremost, high-quality care, but in a comprehensive manner, comprehensive geography, comprehensive from a service mix perspective.

So that's the root of the statement we made in the response to the interrogatories, as it relates to additional patients, because we believe that patients, if they have access to high-quality care, will choose to stay local versus traveling a distance for their care, so, yes, that's really the genesis.

The specifics of how that capital is going to be allocated, you know, what service line, what ambulatory, that really will be subject to a very exhaustive strategic planning process.

MR. LAZARUS: So those projects currently are more of a concept, but there's no --

MR. PILGRIM: Well what we do know is that none of the above currently exist.

MR. LAZARUS: Right.

MR. PILGRIM: We also know that there are significant capital needs in the existing facility, and

we need to address that. We need to address different venues and options for patients for care.

MR. LAZARUS: And assuming this project moves forward, what's your timeline for putting together some sort of strategic plan for those type of projects?

MR. PILGRIM: Well we would begin a planning process immediately, and since the guy to my left is the one that's going to own that process, I'll let him talk a little bit about, you know, the time.

MR. WEXLER: We would want to begin that from day one, and it would, as I think Trip mentioned, it's very important to us that it would include medical staff, Board members, leadership, others from around the hospital and in the community, and it would be an organized process, so that we come to a conclusion in a fairly reasonable period of time, understanding that the capital will be available to us from day one.

MR. LAZARUS: Okay.

MR. WEXLER: The other thing I would mention is that we believe the formation of these services would be in areas where there's not good access, so this isn't to set up duplicating services around the community, and, in addition, we believe that our scale will help keep the cost of developing these services at a

minimum, so we've got, as we've talked earlier, the ability to buy things, supplies, equipment to do construction at very competitive prices.

MR. LAZARUS: In response to the same question in 11B, the Applicants stated that the current projections show modest volume growth, however, on page 1969, in responding to question 12A, the Applicants indicated that the application, excuse me, that the financial projections do not include increased revenues from growth and the patient access of services.

In reference to these responses, can you confirm whether or not the financial projections that were submitted as part of the financial Attachment 1B, dated August 18, 2014, which I think also was Exhibit 6 of the interrogatories, for the accounts, were any increases in the revenues and the income associated with the volume growth on patient?

MR. WEXLER: Yes, they do. They do.

MR. PILGRIM: The answer is that, as you indicated, we projected modest growth that is associated with some capital expenditures, but we haven't projected, for conservative purposes, you know, total amount of growth that we think we can get and that we think we can accommodate and absorb over that time frame, so, when you

look at the projections, the projections are conservative.

MR. LAZARUS: So they are not included in the Attachment 1 that was submitted, or they were? I'm just trying to understand, because I don't remember seeing those as part of the assumptions, or were they?

MR. PILGRIM: I'm sorry. Which those?

MR. LAZARUS: The financial Attachment 1B that was dated back August 18th.

MS. KIMBERLY MARTONE: So, overall, the concern is that, if there's no list of projects and you need to discuss them at a local level, then how come there is an increase in volume in the financial attachment? That's what we're asking.

MR. PILGRIM: Well we've shown the modest increase in volume, because, based on our experience in having done this in other markets, where we've made, you know, significant capital investments, in every case we've seen growth in volume.

What we haven't projected here is, you know, an over and above kind of modest number, because we just wanted to be conservative in how we presented the financial case.

MS. MARTONE: Okay, so, basically, the

increase is just based on your experience with other facilities?

MR. PILGRIM: Yes.

MS. MARTONE: Not based on what the project --

MR. PILGRIM: We have not said, okay, we're going to take X millions of dollars and create this ambulatory care facility that's going to drive X number of visits, because we don't know yet.

I mean the fact is we don't know what that capital allocation is going to be, but, based on our experience with other markets, we know that, when we make significant capital investments, do it in a way that's comprehensive across the community that we'll see some volume growth, and we wanted to show some of that be reflective of that experience.

MS. MARTONE: I just wanted clarification. Thank you.

MR. LAZARUS: Thank you. In response to question three at the bottom of page 1957 of the interrogatories, the Applicants indicated that, among other benefits, in becoming part of the larger health system, such as Tenet, will aid VHS/Waterbury Health System in developing economies of scale when purchasing

supplies and drugs.

Can you elaborate on how this is expected to benefit -- this benefit would translate into cost savings for the joint venture patients?

MR. WEXLER: Well we have group purchasing agreements, national contracts. Because of the size of our organization, we're able to get competitive pricing, based on those contracts, so we believe that scale will apply to Waterbury.

MR. PILGRIM: And I think, to follow through on your question, you've got scale opportunities on supply chain, as Erik just indicated. There's scale opportunities on information technology.

One of the biggest challenges community hospitals are having across the country is finding the capital to make the investments and the clinical information technology infrastructure necessary to participate in this new world of value health, fee for value kind of that's been the catalyst of that being the Affordable Care Act.

So having a platform that we have, we can make those IT investments and leverage that across many sites, as opposed to Waterbury Hospital struggling. How are we going to afford to be able to put this

infrastructure in place?

So these are cost savings, and they're also capital avoidance savings. Your question, how does that translate into savings for the patient, the way that translates into savings for the patient is that, if we're focused on, A, providing high-quality care, which we are, but doing it in a most cost-effective way, which we can achieve by virtue of our scale, we, then, can go to that patient's wherever they get their coverage, if they get it from the State, if they get it from their employer, they get it from wherever, you know, we, then, have an ability to compete and offer a cost-effective product, and that translates to, ultimately, opportunities for the patient.

MR. LAZARUS: All right, thank you. Can you explain, then, how is the cost saving benefit reflected on the financial projections, for example, with the CON, when the Applicants assumed a three percent increase in supply and drug expenses while developing the projections for the financial attachment?

MR. PILGRIM: Simply, we continue to maintain a conservative stance on the expense footprint, as well. We continue to see inflation, and we continue to deal with expense increases across.

Really, they're two big expenses in the operating of a hospital. It's labor and it's supplies expense. We know that we have opportunities on the supply and expense side through the scale, but, again, for the purposes of being conservative for this projection, we've assumed some expense increases.

MR. LAZARUS: Thank you. In the NAACP's letter, dated October 5th, the NAACP identified several areas of concern for the Waterbury area community, for example, a community that has 58 percent of the children living at 200 percent federal poverty guidelines, highest in the State of Connecticut, a city with one of the highest unemployment rates in Connecticut, with rates near 13 percent as of 2014, a city with low birth rate of babies, averaging approximately 10 percent of all the births, and a city with one of the highest teen pregnancy rates, which speaks to how critical the health status issues of the community must be part of the outcome strategic plan.

Can Greater Waterbury Health System explain the efforts to improve access to health care in Waterbury and address these issues?

MS. STRUMSTAD: I don't know where to start, because we have so many. Definitely, this is a

community that has lots of needs, and one of the first things that our organization has done is to try to make sure that our population that feels they don't have access, because they don't have access to health insurance, get that access, so we run with St. Mary's a program called the Waterbury Health Access Program, and we have counselors that proactively reach out to patients within the walls of the hospital, but, also, into the community to make sure that people are getting signed up for Medicaid, if possible, and more actively recently with the exchanges.

As you might be aware, the Kaiser Family Foundation recognized Connecticut as one of the most successful states, in terms of signing people up for the exchanges, and when they looked at what Connecticut was doing right, one of the things they looked at was the Waterbury Health Access Program and the impact it has had for people, so that is a key thing we're doing.

We also work with our physician practices, to make sure that they are identifying and looking for opportunities to improve access with our patients.

There are definitely more things that our organization can do once we have access to best practices across the country that they can help deploy in our

organization.

We have, as you may be aware, one of the largest Ryan White programs on the east coast and are working with federal government to insure that those grant dollars continue to flow into our community and we can take care of these populations at risk.

And then one last thing. We, with St. Mary's and many other community agencies to include new opportunities and the community health centers, are very actively involved in the Community Health Needs Assessment and our two-year plan, and that plan is in full force and has been developed, and it will be adopted, and this is part of our agreement with the Tenet organization.

MR. LAZARUS: And, so, that is where you see the proposed joint venture being stronger for the community --

MS. STRUMSTAD: Oh, absolutely. Yes. I'm sorry. I didn't mean to talk over you, but, yes, absolutely. We do see that. We will have access to resources we don't have now. We will have access to best practices that we understand Tenet are doing other things in other communities that we can come and put them to work here in Waterbury.

MR. LAZARUS: Thank you.

MS. STRUMSTAD: Oh, and one last thing I've just got to note. We also have the third largest behavioral health program in the State of Connecticut, and one of the things that I think it was probably Erik said very early on, when we first started talking, is that behavior health programs they're growing, and the needs for behavior health absolutely have grown, and they have grown in my three years here in Waterbury, that it is important for us to not minimize that population, but to embrace that population, and that we should really figure out how we should grow those programs, so that we are taking care of patients better than we are now.

Also, through the hospital, there will be a hospital Advisory Board that will keep us connected to the community, as well as the Foundation will have an Advisory Board, and that Foundation Advisory Board will be populated with people from all of the many neighborhoods and the ethnic neighborhoods of Waterbury that will help us have a better relationship, working relationship with the people who are most at risk in Waterbury.

MR. LAZARUS: And you had mentioned something about that's going to be, that Community Needs

Health Assessment Plan, that's going to be adopted as part of this agreement?

MS. STRUMSTAD: Yes. That is part of one of our filings, that Tenet has agreed to adopt that.

MR. LAZARUS: Thank you.

MS. MARTONE: Kimberly Martone, OHCA staff. My questions actually go to the heart of that matter, in terms of the Community Needs Assessment.

So with that two-year plan, can I ask Tenet, possibly you, Erik, to expand upon that? In your testimony, you do state that you're going to be implementing the programs in the Needs Assessment, and when we look at the Needs Assessment, I don't really see programs like clearly laid out that will be implemented, so if you could speak to that?

MR. WEXLER: Thank you. The programs would be decided upon by the local Board and the leadership of the hospital. We would support that.

We are fully prepared to adopt the principles of a Community Needs Assessment and then work very hard to improve health status, so while there's no specifics regarding that, what is proposed is something that would be something we would be behind.

MS. MARTONE: Well, then, maybe I can ask

you, based on experience in other states, what you've actually implemented, because, you know, when you look at the Greater Waterbury Health Improvement Partnership Report, it's very evident that the community is seeking many alternatives and options to be provided, especially for mental health services and to improve access to care, so I'd like to know how your plan is to implement that, based on your experience in other states.

MR. PILGRIM: And we've got a tremendous amount of experience in other states. As indicated earlier, there's a safety net provider for Detroit and Michigan. I'm not going to rattle off, I don't know off the top of my head the socioeconomic numbers for Detroit, but I think we can all conclude that it's a challenged market.

San Antonio, Texas is not a wealthy market. Harlingen, Brownsville, Texas are, you know, a lot of tremendous health needs going on in those communities, as well. El Paso, Texas is another case, where we've got experience in dealing with multitudes of community health needs, but I'm going to stop and let Dr. Bagget, who has been more on the front lines, talk a little bit about what we've done across the country with community health needs.

MS. MARTONE: If you could just be specific to, you know, areas or programs that address access to care issues and mental health and substance abuse issues?

MR. PILGRIM: The first one I mentioned earlier, and I'll bring it back up, and that's the Family Health Clinic in San Antonio, Texas that was started by us. It's now run and self-perpetuating, but it was our initiative to get medical home for the working uninsured.

We have 26, 27 percent uninsured. This was an opportunity for us to insure these people. They got a medical home, so that was definitely an increase in access example.

MS. MARTONE: Okay and that kind of specifically goes to, so, with the increase in people being insured --

MR. PILGRIM: Texas is not --

MS. MARTONE: Disregarding Texas. In your other states, where there has been an increase in the insured population, has that affected your programs or initiatives, as well?

DR. BAGGET: It has not. Can you hear me clearly?

MS. MARTONE: I can, but can everyone

else? No.

DR. BAGGET: So Kelvin Bagget, Chief Clinical Officer in charge of clinical operations for Tenet. And, so, we have not let the change in the insured or the uninsured to the insured market determine how we go about addressing the needs of the population.

I mean there are a lot of proud examples. Trip has gone to Detroit. We've also done similar things in other markets. One of the examples that comes to mind is what we've done in Alabama, and going back to the growing need within the population for behavioral health services and making sure that those services are available to the community, to make sure that they are high-quality, to make sure that individuals understand those access points and, also, what is being provided.

So we've done that to match up with the models that have been provided to us from these assessments, as well as how we've married them against strategic planning to make sure the service lines that we're offering are consistent with what the community needs to address their health and health care.

MR. WEXLER: Let me add to that, and I think I'll ask Dr. Diaz, if I might, also, speak to a program that we have in Worcester related to prenatal

health, where low birth weight is a major problem in the city, but, in Massachusetts, since you mentioned behavioral health, we've expanded our behavioral health services at our institutions. In particular, at MetroWest. We're one of the few hospital acute care facilities that has added behavioral health beds to our compliment.

We recently opened 14 new beds, and we're in the process right now of seeking approval from the State to add another 14 beds.

In Worcester, we had an old campus. You probably recognize this from my pre-filed testimony. We had a campus that was closing as part of the new hospital that was built many years ago, and the old campus was sold to another party, but our behavioral health programs still existed there, and that program has been relocated, renovated in quite good space on the main hospital campus.

That has improved access from a behavioral health perspective for patients, because those that are in the E.D. are now closer to that inpatient unit.

With your permission, I'd like Dr. Diaz to talk about our prenatal program.

DR. DIAZ: Sure. Octavio Diaz. I'm the

Chief Medical Officer for the Northeast Region.

At St. Vincent Hospital, one of our hospitals in Worcester, we have partnered with some of the state local communities, as well as with UMass Medical Center, to try to address the needs of the under birth weight, underweight births that we've had.

The program has been in place for, I believe, three or four years now, and we continue to participate and look forward to continued participation in the program.

MR. WEXLER: I can add more. What's happening is we're starting to think of things. I'll add one more. In Chicago, as part of my area of responsibility, we have a fairly qualified health center that is located near one of our hospitals, called the Alivio FQHC. It's near MacNeal Hospital in Berwyn, Illinois.

We partnered with them to have that FQHC located in the hospital, so that patients that need immediate care, but not emergency room care, can receive that. Many people show up at the hospital needing that primary care, but don't necessarily need an emergency department, so it's improved access there, as well.

MR. PILGRIM: And, you know, just as Erik

indicated, some of these now pop into mind. Bienestar was a program in San Antonio, Texas that we partner with a local pediatrician, who had a grant from the NIH to do diabetes, dietary testing and research projects in the elementary schools in San Antonio, the belief being that if you've got the children at a very young age and begin to affect their dietary habits, you could have an impact on diabetes.

Given the geography we're in, South Texas, diabetes has a very high incidence rate, so that's an example that we help fund and partner with the pediatrician there.

We've also partnered with Centro Barrio in San Antonio, Texas, which is actually one of the largest FQHCs in the United States.

Similarly, the partnership there, like the one in Chicago, was to provide an alternative venue for patients that needed either primary care, or needed prenatal care, or needed, you know, care that was not required to be given in an emergency room.

And, so, that was another increase access and, also, driving some cost efficiencies through that process.

MS. MARTONE: So you are committed to

taking this implementation strategy that the Waterbury area has put forth?

MR. PILGRIM: Yes.

MS. MARTONE: And committing to identifying programs and implementing programs that the community needs?

MR. PILGRIM: Yes.

MS. MARTONE: At all costs. No matter what the cost, you're going to implement what the community needs? Reasonable cost?

MR. WEXLER: At all costs, I'm not sure anybody in the room would commit to that, but what is most appropriate to improve the health status of patients in this community with the proper investment, absolutely, 100 percent.

MS. MARTONE: Okay, thank you. One of the other areas goes to cost, and the Community Health Assessment also identifies in the Waterbury area that one of the priority areas is lowering costs, and that's because it's a barrier to health care, so also asking about your experience in other markets, where you've actually lowered the cost of health care for consumers and payers post-acquisition, and then how was that done, specifically?

MR. WEXLER: So let me refer to Massachusetts, since it's not that far away. Our scale, our ability to buy supplies, our ability to have data that allows us to manage our institutions effectively has brought the cost of care down for the patients that we serve at St. Vincent and the two MetroWest Hospitals.

In particular, I'd point out to you that both hospitals, and this is public data, because the Attorney General there has done ongoing studies, along with another agency, in measuring the cost of care at these hospitals, at least from a payer perspective, we are 40 to 50 percent less on a rate perspective on the commercial side for how our hospitals get paid compared to others.

On the other hand, we're able to create financial stability there and still to achieve quality outcomes. If you go to Medicare.gov and you compare MetroWest, St. Vincent, as well, against other hospitals in the Commonwealth and nationally, you'll see that most of the indicators are at or above the state average and the national average.

MS. MARTONE: Okay, thank you. And, then, one of my last questions is could you elaborate a little bit more on the five-year business strategic plan for the

Waterbury area how you will coordinate care between the two Waterbury hospitals, meaning Tenet?

It's been indicated in quite a few places that there appears to be plans in place for some type of consolidation or reviewing services.

It was mentioned in Mr. Contadini? Yes. His testimony, that there was an overall strategic plan that was presented to the Board, so I wanted to know if you could speak more to that.

MR. PILGRIM: I think that was Waterbury Hospital's strategic plan, not Tenet's strategic plan, but I'll try to address your question. I think I got where you're getting at.

We have ideas. I mean we've done this around the country, as I indicated. You know, 25 of Vanguard's 28 hospitals were not-for-profit, where we came in, did a conversion, brought in capital and reset the trajectory of those institutions, so we have an idea of the kinds of things that we would like to do in Waterbury.

As I indicated earlier, it's going to be subject to a very comprehensive strategic plan that we really can't embark upon until we own the facility.

It includes a number of constituents.

Constituents are local. So the five-year plan that will be developed will be fairly detailed on how we plan on allocating capital, how we're going to plan on investing in various service lines, and how we're going to plan on coordinating that care.

There's great opportunity, by virtue of being a common owner of two separate and distinct campuses, to get the greatest amount of efficiencies in those clinical care offerings.

As I note, you are well aware of, all too aware that, you know, low-volume programs tend not to drop quality, and if you can consolidate volumes in certain tertiary higher specialty areas, then you might have an opportunity to offer services in Waterbury that currently don't make sense to be offered, because you have two competing facilities with resulting fragmentation in the patient base.

We certainly are aware of and believe that there are going to be opportunities. It would be presumptive for us to sit here and tell you it's this, this, this and this, because, frankly, it needs to go through the vetting and the planning process that includes the leadership, the facilities leadership, the respective medical staffs and participants on their

governing Boards.

MS. MARTONE: So, overall, you're saying that there has not been I need to have a draft plan or anything that's been discussed with Waterbury?

MR. PILGRIM: We've discussed ideas and opportunities, but, I mean, in terms of putting pen to paper and have the kind of broad-based ownership we want to have in that plan, no.

MS. MARTONE: Okay. How about how you view the essential services in the Waterbury area? What do you consider to be the essential services that need to be provided in that area?

MR. WEXLER: Well both hospitals offer a series of essential services, and I think it goes back to better coordination of those services.

Medical Surgical Units, operating rooms, certainly Emergency Departments, access out in the community are critical to what both hospitals provide.

What we do not want to do is interrupt essential services or have local citizens go to other communities to receive care, unless we don't offer them here in Waterbury.

Anything that we currently offer that would force people to go someplace else for care would be

something we would be very concerned about eliminating.

MS. STRUMSTAD: I think, if I can just interrupt, sorry, I think that we listed it in our definitive agreement, so I'm looking to find the list. Give me a minute.

MS. MARTONE: Thank you. You know what? That's okay, because we can locate it.

MS. STRUMSTAD: All right.

MS. MARTONE: I appreciate that.

MS. STRUMSTAD: I think there are about eight different things that are listed and agreed to as essential services.

The essential services were Emergency Department, general medical services, in and outpatient surgery, OB, intensive care, radiology and diagnostics, comprehensive cardiology and neonatal intensive care.

MS. MARTONE: So the question would be are those services going to be offered at each hospital in Waterbury?

MR. WEXLER: They would be offered in Waterbury, and a strategic plan would be undertaken individually at each hospital to make sure the services that are provided at the hospital that are needed would continue to be provided, but it's hard to have a crystal

ball at this point.

MS. MARTONE: Thank you.

MR. ZINN ROWTHORN: All right. I'm going to ask a few questions on behalf of the Attorney General, and I think maybe Attorney Hawes will, as well, and these are in no particular order or subject matter.

I have notes in different places. We'll start with this one. We've heard some discussion today and seen some reference in some submitted materials about the Tenet model moving towards or perhaps being well-situated to move towards fee for value and away from fee for service.

I think it was referred to as a risk platform. I think we've heard it referred in other places as kind of pay for performance, and I recognize that it's been catalyzed by the Affordable Care Act, but perhaps remains a little bit aspirational at this point.

And I'm not aware that Waterbury has paid for, and feel free to correct me, paid for performance contracts or arrangements with payers. How do we get from here to there, and how essential is that to the success of this transaction, as you anticipate it?

Is that dependent on negotiating those kinds of contracts with payers? Is there also the kind

of pay for performance compensation model with medical professionals in the hospital or administrators? What are your thoughts on that?

MR. PILGRIM: I'm going to give you a 50,000-foot response, and then we can drill down accordingly. Our belief is that, and this really, frankly, dates back to when we started Vanguard as a company in 1998, because we started that company with the belief at that time that the prevailing health care delivery system was broken and wasn't sustainable.

The fee-for-service model ultimately was going to implode our delivery system. When you looked at the double-digit increases in cost to payers, to employers, to consumers, that the long-term prospects for that mechanism were limited, and, so, you know, I would kind of start that that was a belief, that the system was absolutely going to change.

What we didn't know was when that was going to happen. Is that going to happen five years, 10 years, three years? We didn't know, but we built the company under the prospect that that environment wasn't sustainable, and we were going to move to a more rational resource allocation model, and we felt that was going to be some sort of value-based, performance-based, quality-

based, outcome-based system.

Given that belief, we then said how do we create a delivery system that's first and foremost going to generate absolutely the best care possible, the best quality care, the best safe environment for our patients, but, at the same time, be able to build that, develop it and deliver it on a very cost-efficient platform?

And the first thing that obviously we jumped on was scale, both regional scale and national scale, and if you look at how Vanguard built its company, we were focused on urban markets.

We had six hospitals in Phoenix, five, six hospitals in San Antonio, with two just down the road in the Valley, four hospitals in Chicago, eight hospitals in Detroit, Michigan, so we begin to focus first on reasonable scale to drive reasonable economies to give us, again, the opportunity to be a cost value provider and focus on really providing a footprint.

And Erik just gave you a great example, of where, you know, St. Vincent's and MetroWest are ranked in the top percentiles for quality, yet are also recognized as one of the lowest cost providers in the State of Massachusetts.

So that is the background, is was the

motivation how we built our company, and then, as we looked at, you know, the Affordable Care Act and as it was passed, we realized that even additional scale we felt was going to be necessary to be best positioned for the future, and that was one of the drivers for the merger and acquisition into Tenet.

And, so, to answer your question, when is it going to happen, how is it going to happen, how do we make it happen, a lot of that is dependent upon a lot of variables we don't control.

We know that every market will be on a different slope, whether it's New England, whether it's South Texas, California, Florida, the Midwest. You know, the slope of that changed curve will vary in all those markets, however, we do believe that if we are focused on those two things, first and foremost being obsessive about quality, secondly, delivering that quality on a very cost-effective efficient platform, that whatever happens and whenever it happens, we'll be positioned well for it.

I'd like to ask Dr. Bagget, because I know Dr. Bagget has been involved in a lot of this reform and how, you know, as a company we've tried to position ourselves from a clinical perspective for this coming

change, so I'll let Kelvin talk.

DR. BAGGET: Yeah, thank you, Trip. And, so, what I'll speak to is kind of the optimization of the assets, and then I can highlight some of these other things.

And, so, Trip, you're absolutely right, in terms of communicating, that you could look over the horizon, but there are different predictions, as to how quickly this is going to evolve, and, as we know, it's going to happen on a state-by-state and a market-by-market basis, but what we've done is look at it to say what strategy works well, regardless of the environment, and the things that work incredibly well we have put on the screen, and we've also tried to continually communicate here, and they are embedded in the things that we do every day, and that is our focus on providing the highest value care possible, that we're looking at improving the safety of the care, improving the quality of the service delivery of that care, and, also, the associated outcomes.

And, so, by doing that, we're looking at, from an outcomes perspective, not just the clinical outcomes, but, also, the operational resources and the financial resources that are devoted and dedicated to

achieving that.

We have the benefit of leveraging something that we call Systems, and that is our learning model, which is we have an analytics team that can look into the performance of institutions and marry clinical operational and financial performance and look at conditions and diagnosis and understand the various outcomes that are being achieved, as well as the resources that are being dedicated to achieve those outcomes and identify the leading and the best practices in those environments, and then we have a model for both capturing that, as well as replicating that across the system, which is making that information available to others, as well as having dedicated resources to support that, regardless.

If we stay in a fee-for-service environment, where we're functioning with some degree of capitated dollars, or if we move to a full risk model, what matters, we think, to our long-term performance viability service to our community, as well as the value we create, is an ability to continue to improve that quality of care, while also identifying and pursuing those opportunities to reduce those costs.

MR. WEXLER: If I could, I'll bring it

back to Connecticut for you. In our financial statements, the performers that have been developed, we do not have an aggressive platform for risk or bundle payment, so the numbers that you've seen in our filings are consistent with the performance as it exists now in the payer environment.

That said, here in Connecticut, you already do have some pay for performance underway, as we all do across the country, and a good example of that is readmissions.

So if a hospital is an outlier in its readmission rate, it's penalized for that, so you've already gotten into that space a little bit, but our work here would be to align with the medical staff and align with the payers and, of course, the hospital to incentivize us to do the right thing with the right patient at the right place at the right time.

MR. ZINN ROWTHORN: All right, well, I appreciate that. Go ahead.

MS. STRUMSTAD: I was just going to say quickly that we do participate in we call it upside sharing, based on our quality indicators with Anthem and Aetna, but it's not what it could be or I think probably will be.

MR. ZINN ROWTHORN: So I think the collective answer is that that's the long-term ambition, but the success and performance of the hospital financially and as far as delivery of care is not premised on being in a fee for performance model by any particular date out on the horizon?

MR. WEXLER: No, it's not, and, long-term, I hope it won't be long-term, I hope that we'll be able to bring innovation here in the short-term.

MR. ZINN ROWTHORN: Okay, good. I'll follow-up on some questions that Attorney Murray asked of Waterbury. There was a back and forth about whether the agreements mandate continuation of particular staffing levels, and I think the answer was no, that levels are dictated by volume.

Is there an agreement or an assurance in the documents, or is there an assurance today that the staffing ratios will not be diminished post-transaction?

MS. STRUMSTAD: I'm not sure that we used those specific words, but we do run our organization now with respect to what DPH recommends to us, and we do have, I'm looking for my CNO, a nurse council that reviews and weighs in on our staffing ratios.

Those practices we expect to remain the

same. I'm not sure that it's spelled out that definitively in our agreement.

MR. WEXLER: However, quality of service is extremely important to the success of our organization. I feel, in the transition that I've made over the years into the investor-owned space, that the stakes are higher.

We are more nationally under the microscope. What happens in Massachusetts, or Chicago, or maybe even here in Connecticut if this goes through, will be recognized, as well, in Illinois and Texas and California and Florida, so ratios are important, but quality of service is extremely important, so we are not going to erode ratios, so that we don't provide good quality care to the people that rely on us.

MR. ZINN ROWTHORN: Another aspect of that questioning from Attorney Murray, and the answers were that the hospital, the existing hospital, through its membership in the J.V. and on the Board of Directors, is going to have some oversight and influence of decisions with respect to staffing. Am I accurately characterizing that testimony?

MS. STRUMSTAD: I think that's accurate.

MR. ZINN ROWTHORN: I just want to make

sure that I understand that and that your response on the record is clear on that. My understanding of the governance after the transaction is that there will be 50/50 Board membership, but with respect to certain subjects, the existing hospital will have diluted voting rights, and one of those subjects is operating budgets, operating expenses.

Would I be correct in understanding that the decision about continuing to offer services through employees or through contractors would be an operating budget or expense decision about which the existing hospital would have diluted voting rights?

MS. STRUMSTAD: Would you ask me that again? I'm sorry. I was doing two things at one time.

MR. ZINN ROWTHORN: So the hospital's Board members, the existing hospital --

MS. STRUMSTAD: I got all the way, except that last part.

MR. ZINN ROWTHORN: Okay, so, flash forward to a point where there is a decision, hypothetically, about whether to continue offering a service either through employed nurses or doctors or through contracted for nurses or doctors.

Would that be an operating budget decision

about which GWHN's Board members would have diluted voting rights?

MS. STRUMSTAD: I believe that that is a true statement, however, let me also point out that my Board of Directors right now does not get into the weeds of running my organization. That is what they have a CEO to do.

So I would not go to them and ask for their approval to, you know, outsource a service or to have a certain kind of contract. That's up to me to make those sort of decisions to make sure that my organization is running as effectively and efficiently as possible.

The operating budget certainly goes up to the J.V. Board, and you were right about that there's Class A and Class B members, so there are kind of more votes, if you will, with the Tenet organization or members of that, but, generally speaking, your Board does not weigh in and make those kind of decisions, and, if they do, then it's probably not the best-run organization.

MR. ZINN ROWTHORN: Well I think, then, that leads to my next question, which is that the selection of the CEO for the hospital is also, if I understand it correctly, a decision on which the Class B

members would have diluted voting rights.

MS. STRUMSTAD: That is true.

MR. ZINN ROWTHORN: Okay.

MR. PILGRIM: There are three things that we require as an organization to consolidate financial results, which drives our capital access model, and that is selection of the CEO and approval of the operating and capital budgets, so those three things are pretty much a necessary condition, in order to consolidate to the top level our financial results.

MR. ZINN ROWTHORN: Switching gears a little bit, there are circumstances under which, either through exercising a put option, or a call option, or because of an intractable dispute among Board members, that GWHN in the future could not have an equity position in the going forward for-profit hospital.

MS. STRUMSTAD: True.

MR. ZINN ROWTHORN: It’s also my understanding that the hospital has committed to continuing to operate with the community benefit standards, and there are a number of -- and that means a number of things about accepting Medicaid and not discriminating and other things.

If we were to find ourselves in the future

with, and maybe this is a question for Tenet, with GWHN no longer being an equity owner of the hospital, so it's just 100 percent Tenet or Vanguard owned in the future, would the hospital still continue to operate in compliance with community benefit standards?

MR. PILGRIM: The answer is yes, and I think you can look at other hospitals and other experiences in other states and I think take great comfort that we operate our hospitals in guidance with this entire community.

MR. ZINN ROWTHORN: And I think, and maybe this is a question for tomorrow, but my understanding is that St. Mary's post-transaction is going to be operated in compliance with community benefit standards, even though that's a straight asset purchase, correct?

So, you know, I think another scenario that I want to ask you about is, again, in the event that -- well, strike that.

One of the purposes that we've heard about and heard really emphasized by Waterbury Hospital for this transaction and one of the benefits that Tenet has appointed to is access to capital markets, and that has been described as a challenge not just for this non-profit hospital, but for other non-profit hospitals.

One of the things we're going to do and make sure that we do is that the assets of the sale are poured over into the Foundation and that those are going to be maintained for delivery of health care services in the Waterbury community, much like the mission of the existing hospital is, so a concern that has occurred to me over time is that the Board of Directors will have the authority to make capital calls into the Foundation, which has its 20 percent ownership of the J.V.

I guess I'd like to hear you address whether that's likely and whether that raises a concern that that money that is poured over there for charitable purposes is going to be reached and used for for-profit purposes of the J.V. going forward.

MR. PILGRIM: Well, first, I'd probably let Carl talk a little bit about it, because I know you all have had that conversation during the negotiations, but before Carl, you know, there is no requirement that the Foundation put financial resources back into the hospital. That requirement does not exist.

Additionally, as we've structured this, as we've done other joint ventures, there's also a revolving line of credit that is available to that for capital needs, which doesn't elude either party.

MR. ZINN ROWTHORN: Okay, but am I right to understand that, in the event that the minority partner, the Foundation, does not meet a capital call, that is a circumstance under which its ownership interest can be diluted?

MS. STRUMSTAD: Yes.

MR. ZINN ROWTHORN: So how do we avoid a situation, where the Foundation is put to the choice of either returning some protected assets back to the for-profit or losing it, losing part of what it’s getting in this transaction, which is a 20 percent ownership interest in the J.V. going forward?

MR. CONTADINI: I think one of the safeguards is that there’s no capital call until the entire line of credit is exhausted, so we have to burn through that first before there’s any capital call, and then you got ongoing operating profits that you have to burn through, so there’s a lot of head space before we get to that point.

MR. ZINN ROWTHORN: And I think that brings me back to where I started this line of questioning, which is that if the advantage of this transaction is ready access of capital markets, A, is it likely that capital calls are going to be made to the

Foundation, and, B, is it necessary to have that as an option going forward?

MR. PILGRIM: Well I'm not an attorney, so in terms of the requirements relative to having it going forward, I'll defer, but I can also tell you that, in my experience in the other joint ventures that we have done across the country, we've never had a capital call.

MR. ZINN ROWTHORN: Okay. Let me just ask another question about destruction of the relationship going forward.

The Foundation is going to be used and committed to using its resources to provide health services in the Greater Waterbury community.

Do you anticipate a scenario under which those resources would go back to the hospital to provide the services to fund or pay for services provided by the hospital, as opposed to being used by community health centers or other health providers in the community?

MR. PILGRIM: No.

MS. STRUMSTAD: I think we're precluded from doing that with our non-profit funds. And just a reminder. When the Foundation first starts operating, at the time of close, an important piece of business for us for the next several years will be to pay off and honor

our obligations and liabilities, which includes pension funds, the 27.7 million that goes to the CHCA Pension Fund, malpractice and tail insurance, Worker's Comp.

There are about five major items that stay with us as liabilities that we will pay for first over the first five to eight years of the Foundation.

MR. ZINN ROWTHORN: Thank you. So let me just ask a little bit about -- I think, in the operating agreement, there's a representation that community benefit standards will have a higher priority than maximizing profits in the going forward hospital. Do I understand that correctly?

MR. PILGRIM: That was the language.

MS. STRUMSTAD: Yes, I think that's the language.

MR. ZINN ROWTHORN: And that will remain true if GWHN ceases to have an equity ownership interest in the J.V. going forward?

MR. PILGRIM: Well the language, itself, the language will remain, but the operating agreement will continue to retain that language, so if they cease, I'm not sure. Maybe I'm not sure of the question.

MR. ZINN ROWTHORN: So, right now in the operating agreement, there's a representation agreement

that meeting community benefit standard requirements will have a higher priority in the operation of the for-profit hospital going forward than maximizing profits?

MR. PILGRIM: Yes.

MR. ZINN ROWTHORN: So we're talking about a potential future universe, in which the GWHN no longer has an equity interest, an ownership interest in the hospital.

Is that prioritization, as stated in the operation agreement, still going to continue to be the case under that scenario?

MR. WEXLER: It is going to be the case, and one thing I want to point out, that this is our mission. Our mission as an organization is to serve our communities, so part of being an acute care provider, part of being in a community, where you're dependent upon having that relationship with the community, use you for health care means that you have a responsibility as a corporate citizen to serve the community, and we are very, very focused on doing that.

One thing I want to make sure that is understood, whether GWHN exists or not, these hospitals are going to have Boards of Trustees, and all of our hospitals do, and we respect those Boards of Trustees

significantly in their involvement in setting strategy, in responding to the needs of the community, and to making sure that we stay on the railroad tracks.

Health care is local, and those community Boards are a critical part of what we do.

MR. PILGRIM: And just to tack on what Erik is saying about health care and being a local business, it absolutely is a local business.

I mean you take someone walking down the street of Waterbury, Connecticut that's not in health care, doesn't know anything about health care, is sick, then have a close family member that's sick, that hospital occupies the same place in their mind that the police department occupies, the fire department occupies, the school system occupies. It's a community asset.

As a company, as two people here that actually run hospitals, have been on the ground, I can tell you you want to empty a hospital out, quit doing things for the community. Quit doing right by the community, and you'll find you'll have an empty hospital.

For someone to suggest that us, as an organization, whether we're taxable or tax-exempt, that because of the tax status we're going to change the way we interact with the community, then they don't

understand the nature of a hospital.

MR. ZINN ROWTHORN: So there's been a lot of talk and focus on the capital commitment going forward, and we've talked about two numbers, 85 million, which I think is an overall capital commitment in the Waterbury area, and I think that encompasses both the capital commitment with respect to both transactions, and then the $55 million number, which I have understood as being Waterbury Hospital specific.

Am I right about that? So Waterbury Hospital has been assured that $55 million in capital expenditures will be made really for its purposes and not for its/or combined with St. Mary's purposes?

MR. PILGRIM: Give me one second. We're going to pull that exact language, because I think that's important.

MR. ZINN ROWTHORN: Okay. Good.

MR. PILGRIM: The language is 55 million in seven years following the effective date on capital projects, including routine and non-routine capital expenditures at or for the benefit of the facilities and/or the acquisition development and improvement of the hospital, ambulatory, or other health care services in the Greater Waterbury community.

So the intention on the 55 million certainly has addressed the capital needs at Waterbury Hospital, which Ms. Strumstad has already identified there are many, but it's also got the flexibility in that amount, again, as Ms. Strumstad indicated earlier, to invest in additional services throughout the community, ambulatory physician recruitment, etcetera, so that 55 million commitment is not limited to the four walls of the hospital, so to speak.

MR. ZINN ROWTHORN: And how that allocation will play out, specifically, is one that you have not yet had a chance to flesh out?

MR. WEXLER: No.

MR. PILGRIM: That's correct.

MR. WEXLER: No. As Trip described earlier, we'll undergo an intensive strategic planning process post-transaction.

MR. ZINN ROWTHORN: Let me ask you quickly about charity care policy. So in the application materials, there was a note to the fact that the hospital now gives a 50 percent discount on charges to everyone who is uninsured, regardless of where they are relative to the federal poverty level?

MS. STRUMSTAD: That's true.

MR. ZINN ROWTHORN: And that was described as the one area in which Waterbury Hospital was more generous than Tenet with respect to its charity care policies. Is that going to be, that policy, with respect to giving the 50 percent discount, regardless of the relationship to the poverty level, is that going to continue post-transaction?

MR. SHEARIN: We'll adopt their policy.

MR. ZINN ROWTHORN: So, in all respects, if there is that or other areas, and maybe that's the only one, where Waterbury's existing charity care policy is more generous than Tenet's, the more generous policy will prevail?

MR. SHEARIN: We'll take that policy.

MR. ZINN ROWTHORN: That's all I had. Thank you for your answers. Gary, if you have other questions?

MR. GARY HAWES: A few. Good afternoon. I'm Gary Hawes. I'm from the Attorney General's Office.

Just a few initial questions, and then some follow-ups to some of the stuff that Deputy Attorney General Zinn Rowthorn has presented here.

I guess the first is a question to Waterbury Hospital, and I'd just like you to spend a

little time talking about why the Board decided that a joint venture was the way to go from their point of view.

The other transactions that we're aware of are going to be asset purchases, and, so, I wanted you to be able to spend a minute talking about that, if you would.

MR. CONTADINI: I think, from our perspective, that the joint venture was important, because we wanted a very active role in governance of the hospital, and by going with the 80/20 rule, we were able to negotiate a 50/50 deal on most of the governance issues, but, also, we believe in the long-term in relationship with Tenet, and, hopefully, there will be a revenue stream that will help support our Foundation in future years, so we felt that the Foundation model was a benefit to Waterbury Hospital.

MR. HAWES: There have been, since your agreement for the joint venture was initially constructed, there have been a couple of changes, and those were addressed, in terms of, you know, how the Board, I think it was you, Mr. Contadini, that had discussed the due diligence of the Board went through as the Tenet purchase of Vanguard happened with the affiliation with Yale.

I guess I'm wondering, at this point in time, with those different changes, I guess this is more of a confirmation statement, the Board is still happy with this joint venture. You're looking forward to going forward with this, and there have been numerous changes. Are we still on track?

MR. CONTADINI: Yeah. I think there's no doubt from the Board's level this is the right thing to do. I think our salvation, in essence, is a lot is put on this transaction, quite frankly.

We've been in these negotiations for four or five years, looking for different sources of capital. I think we explained very succinctly that, you know, we have reports and we can document by actual performance that we're coming to the cliff. There's no ifs, ands, or buts about it.

We need an infusion of capital soon, and this is our opportunity to get that infusion. The Board is -- I think we've, since we started this transaction, we got to know the Tenet people very well, and one of the things that I think was very important to us is their transparency.

As we've gone along, and we've seen Tenet hit some national headlines on different things that

happened in their past, and, in most cases, you know, they got to us first, let us know exactly what the cause and effect of those transactions were. We didn't have to go out after them to try to find out what was wrong. They were there telling us this is what happened, this is what we've done about it, and our Board was totally satisfied with the responses that we got.

They were very open to us, so we felt that these are good people. These are people that we can believe in and we could feel comfortable that we're putting our future and the health care delivery future in Waterbury in the hands of a very, very good organization.

MR. ROWTHORN: Sorry to interrupt, Gary. Let me ask. I think you may have just answered it, Carl, but let me see if I can drill down a little bit.

So there was a point in time that came that Tenet purchased Vanguard, and you are now looking at a partnership with Tenet, effectively, and you know, and I think you just referenced it, and you've heard discussion in the community, and some of it is in the pre-filed testimony, and you'll probably hear some today, about issues with respect to Tenet's corporate responsibility.

Was that a subject of -- and you talked

earlier about, as these changes to the transaction came about, that you reengaged in a due diligence process. Were questions of Tenet's corporate responsibility part of that due diligence that you undertook affirmatively, or was this sort of, as you just talked about, receiving information as issues arose from Tenet?

In other words, did you affirmatively set out to make a judgment about Tenet's corporate responsibility?

MR. CONTADINI: Yes, we did. I think, when the announcement was made, that Tenet was acquiring Vanguard, we became, again, rightly concerned, because we didn't understand what that all meant.

We asked our advisor to give us a due diligence background on Tenet and to drill as deep as we possibly could at that point in time to understand what this meant to the Vanguard transaction that we originally were negotiating.

Again, I think I mentioned that one of the things that the Board took away from this is that this was an enhancement from our perspective. We picked up additional scale, and that scale is going to be very important for us to be competitive.

If we're going to proceed on the path

we're taking, in which there's the opportunities to improve health care in Waterbury, at the same time looking for opportunities to make more access to health care for our constituents in Waterbury, I think it's important that, you know, we choose the right partner here as we go forward, so we really, I think, felt good that the depth and breadth of the new Vanguard/Tenet organization was an enhancement to what we ended up with.

I think, in any organization, no organization is perfect. Let's face it. On a day-to-day basis, here at Waterbury Hospital, you know, we stub our toes all the time, but you know what? When we do stub our toes, everybody knows about it.

Darlene is on the phone letting me know before anything else happens, and that's what we expect from Vanguard.

If they go out there and they stub their toe, they let us know. They let us know exactly what happened, and that's all we're asking for, is transparency, because once we have transparency, then we have a working relationship, and that's important to us.

And for us to go forward as a Joint Venture Board, we have to have that relationship. I can look either one of these guys in the eyes and feel

comfortable that we are on the up and up with one another.

I think we could memorialize all of this in all the documents that you want, but I think what's important is the bond of the people that you're dealing with, and we have a very good and effective bond with the people at Tenet, and their word -- I know I've had the opportunity to talk to Keith Pitts, and I can assure you this man is a man of his word and integrity, and he has said to me you have my word, and my word is my bond.

These are the people that we're dealing with, and, to us at Waterbury Hospital, that's half of the game.

MR. ROWTHORN: So on the journey to get here, long and winding as it has been, you've had the opportunity to get to know other organizations, potential partners, pretty well.

And I don't want you to talk specifically about what you've learned about those organizations, but have you had an opportunity to make a relative judgment on issues of corporate responsibility and transparency comparing Tenet to some of the other folks that you've had a chance to talk with?

MR. CONTADINI: I think that the two

organizations that we dealt with very closely, and Vanguard and Tenet happens to be the one that we're dealing with now, but, even prior to that, you know, these public companies are under scrutiny all of the time. There's a lot of eyes on all of these organizations, so, from my point of view, what's important is the depth and breadth of bench that these guys have, and that's what we find in the Tenet organization.

I think, a little while ago, one of the things that came up was Tenet working on a protocol for Ebola.

I mean this came out yesterday in a meeting that we had, and, you know, they said, listen, it's for you guys, too, and I think, from my point of view, is that these guys are working on these things now today, and that's the depth of bench that these have.

I think, if you remember my earlier testimony today, when we started the original negotiations, Vanguard was our number one choice, until the advent of a new hospital coming into town.

We were lured by that new hospital coming into town, and I think, in reality, when we looked at that, and I think that was part of why I think over time

that new hospital changed many times, from many floors to less floors as time went on, because the viability of that became less and less feasible, and, so, when you started to see that, you started to get a little nervous in regards to that, but that's gone. That's not going to happen.

Where we are is today with the Vanguard/Tenet folks, and, from my perspective, you know, they have been people of their word, and these are the people I'm concerned about. We, as a Board, are 100 percent behind this.

MR. ROWTHORN: Thank you.

MR. HAWES: I want to confirm a couple of the numbers, because a couple of them are similar, and I'm a little confused, as to how it relates.

We have, in the Waterbury transaction, a capital commitment of the $55 million. There's also a line of credit for $55 million, so I guess the first thing I would like to ask is will the line of credit be used to fulfill the $55 million capital commitment that's set forth?

MR. WEXLER: So cash from operations will be used first, and if there's not sufficient cash for operations, then we would draw into the line of credit.

To fulfill the $55 million capital commitment that is set forth in the agreement, it would be the -- we're going to let the smart guy behind us speak.

MR. WILSON ROBINSON: Wilson Robinson with Tenet. The mechanism for satisfying the capital commitment will be from cash from operations.

And to the extent that cash from operations don't meet that commitment, the revolving line of credit will be used to fund the CAPEX.

MR. HAWES: Okay, so, the cash from operations of Waterbury Hospital going forward, the J.V.?

MR. ROBINSON: That's right.

MR. HAWES: So the -- I just want to think how that's going to play out. So we have a commitment to Waterbury Hospital to spend the $55 million on the capital commitments, and that's going to come from operating income? I'm not using the correct words.

And then we have an $85 million commitment that's in St. Mary's, which is really just an additional $30 million, and that will also be financed through or supplied through operating income?

MR. ROBINSON: The same mechanism to fund the 85 will be for the 55.

MR. HAWES: Okay, so, it's not as though Vanguard is bringing cash from outside, bringing it and injecting it into the system. It's going to come from the operations of the hospitals, themselves?

MR. PILGRIM: Actually, yes and no.

MR. HAWES: Okay.

MR. PILGRIM: I mean we're definitely funding, whether it's the capital commitment, whether it's the purchase price, whether it's any shortfall in operations going forward, come from Tenet, you know, comes from the Tenet parent and from the free cash flow we generate as a company.

Being a company aspect of it is is that, yes, we want to use the locally-operated generated operating income. To the extent that that doesn't occur, then we have the LOC, the letter of credit, to fall back on.

It's a mechanism that's pretty much the same in the joint ventures that we've done throughout the country. Now when we have 100 percent ownership, because there's not a separate entity, it's just a 100 percent sub, that just generates, that's cash coming from Tenet's free cash flow straight into the marketplace.

To kind of get to your question, what I

think probably what's behind some of your question is are you willing to put capital in the market in excess of what that market is generating, in terms of free cash flow, and that answer is yes.

It was six, seven years in San Antonio before the cash flow of that, free cash flow of that market actually generated was actually in excess of what we were putting into that market, in terms of capital investment.

In this particular case, it's a joint venture, so that's the structure that we have.

MR. HAWES: Okay, so, the need for capital over the first few years, if it's not generated from the operations of the hospital in the joint venture it's going to come from the line of credit?

MR. PILGRIM: Correct.

MR. HAWES: With respect to St. Mary's, it's going to come from either operations or it's going to go up the chain, and it's going to come from Tenet?

MR. PILGRIM: So there's 85 million in capital commitment that's maxed out by Tenet. There's $85 million of capital investment that is going to be made in this time frame in Waterbury, Connecticut for facility improvement, renovations, life safety issues,

ambulatory platform, physician recruitment.

Whether it's the cash flow that's generated locally or coming from Tenet's free cash flow as a company, that is maxed out by Tenet, doesn't require any external financing, we don't need to go to a bank, we don't need to go to any external markets in order to generate that. That capital will be generated internally.

MR. HAWES: And the line of credit comes from a Vanguard affiliate, correct?

MR. PILGRIM: Tenet, yeah.

MR. HAWES: Is the line of credit secured by any of the assets that are going to be held, Waterbury Hospital assets, at all?

MR. PILGRIM: -- not.

MR. HAWES: No? It's just straight line of credit.

MR. PILGRIM: It's just an intercompany mechanism.

MR. HAWES: Okay.

MR. PILGRIM: Because we would be taking from ourselves and paying ourselves.

MR. HAWES: That's true from Tenet's perspective, but from the Foundation's perspective,

that's a 20 percent interest. It wouldn't be taken from themselves to pay themselves in some respects?

MR. PILGRIM: In some respects, but that's the nature of the partnership.

MR. HAWES: Yes. Understood.

MR. PILGRIM: Right.

MR. HAWES: I think the Deputy had asked a couple of specific questions that went to this, so I'm going step back and make a more general statement.

We have an operating agreement that basically allows the joint venture to function with a 20 percent and 80 percent equity interest and then the 50 percent representations on the Board.

And I think the question that we had, generally, and it definitely drills down to some specifics, is if, for some reason, the put or call option is taken advantage of and Tenet ends up with 100 percent, that operating agreement in all those provisions are moot.

I mean they just don't have any relevance anymore, because you don't have two parties as part of a joint venture, so the question is will all of the other substantive provisions, which control, and I think here we were talking about, you know, the acknowledgment of

the community standards that are within this operating agreement, which at some level won't have function anymore if there's just a 100 percent owner, all those other provisions are still going to remain in play, I guess, going forward, you know, despite all of Tenet's good faith desire to provide services and such.

The provisions in those agreements will still be a part of how Tenet will be running Waterbury Hospital, correct?

MR. PILGRIM: Well, first, Mr. Attorney, you're absolutely right. I mean they kind of do become moot, because there's not a party there, and, to answer your question about all of those provisions, what we would need to do really is to go provision-by-provision, because I don't have those off the top of my head, and I can't remember what all they are, but, I mean, generally speaking, when we do the operating agreements, we're not really agreeing to do anything that we don't normally do in the normal course of business, but I would reserve the right to sit down and look at each one of those individually.

MR. HAWES: And I apologize for asking such a broad question. I guess the ones that are moot would definitely deal with the relationship between the

two, but then there are, you know, the relationship that exists between you at some levels depended upon certain conduct of the J.V., so that the Foundation going forward can maintain its tax-exempt status, so I just wasn't sure, you know, how those particular provisions were going to remain.

I think we hit the big ones, but I wanted to kind of step back and let you know what some of our concerns were, in terms of how we saw that moving forward.

MR. ZINN ROWTHORN: Let me throw this out and hear your reaction to it. Would it be helpful, possible to have a late filed exhibit on the provisions of the operating agreement that would not continue in the event that GWHN ceases to have an equity interest in the J.V.? I guess we'd make that No. 6?

HEARING OFFICER HANSTED: That's correct.

MR. ZINN ROWTHORN: Thank you.

MR. HAWES: One of the concerns, as the Deputy had indicated, is our desire to protect the charitable funds that exist. They give documents, which exist, and then there's what we think of as net asset value that's going to transfer over to the Foundation, but the Foundation is going to continue to have a

relationship with the joint venture going forward, and we had I think very distinct concerns about the capital call and how that was playing out, and the Deputy addressed those kinds concerns.

One of the other thoughts that I wanted to present, I think this is really more for Greater Waterbury, the 20 percent equity interest is a threshold point, I think, in how the Foundation, this going forward Foundation, is going to receive its tax-exempt status, so if there is a provision that ultimately we have a lesser than 20 percent interest that Greater Waterbury holds and all that flows from that, I mean the 20 percent interest provides the 50/50 representation on the Board, but if it falls below the 20 percent, that representation on the Board falls, too.

One of our concerns is that a Foundation maintains its 501c3 status. You're going to be holding a lot of charitable funds, and it's supposed to serve the community and Waterbury Hospital, so I guess what thought have you given going forward to any possibilities if the Foundation no longer has the 20 percent interest and 10 years out you have put and call options, so, at a minimum, in 10 years that might happen, about maintaining your 501c3 status and how the Foundation will exist going

on from that point forward?

MR. CONTADINI: I think the Foundation will continue to go on, regardless whether we own 20 percent or not.

MR. HAWES: Can you speak more into the microphone, please?

MR. CONTADINI: The only thing that's missing is revenue, possible revenue stream someplace down the line to add to that Foundation, but the funds that are in the Foundation will be managed by the Foundation.

I believe there's 45 that's coming, plus there are another eight or 10 of other that were designated funds that will also come over.

I think a majority of, in the short-term, of those funds are there for pension, the pensions that need to be part of, that were part of this agreement. I forget the exact. 27.7 million of that is there for the pension fund, but the Foundation continues to go on.

MR. HAWES: The Foundation is going to be taxed as a hospital. It's going to file its taxes as a hospital. Is that correct?

MR. CONTADINI: Yes.

MR. HAWES: Under the joint venture.

MR. CONTADINI: Yes.

MR. HAWES: If it loses the 20 percent, it doesn't have a 50 percent representation on the Board, is it still going to be able to file as a hospital?

MS. STRUMSTAD: It will be, because we certainly have talked about this as an organization, it will still be a 501c3, but the way it is envisioned now, with the 20 percent ownership, that the hospital license will flow right to the Foundation.

If we don't have that 20 percent interest, then we will not have that hospital license, so we would have to, and I'm looking over my shoulder to the attorney, who knows more about this than I do, have another tax ID number. It will be a private Foundation, not a public charity.

MR. HAWES: Okay, thank you.

MS. STRUMSTAD: These things are so complicated.

MR. HAWES: I have no further questions.

HEARING OFFICER HANSTED: Anything else? Okay, let's take a 10-minute break.

(Off the record)

HEARING OFFICER HANSTED: Okay, we're back on the record, and, continuing on, I'd like to have CHCA

present their statement, please.

MR. MURRAY: Thank you, Mr. Hansted. I'm Henry Murray. I'm from the law firm of Livingston, Adler, Pulda, Meiklejohn & Kelly in Hartford. I'm counsel to the Connecticut Health Care Associates.

We want to first thank the Office of Health Care Access and the Office of the Attorney General for affording CHCA and the members of this community the opportunity to express our views on matters of serious concern implicated not only by the Certificate of Need filed by the Petitioners for a joint venture, as well as a proposal to convert a non-profit community hospital to a for-profit investor-owned entity.

Speaking today for the Interveners are Barbara Simonetta, the President of CHCA, a Union representing over 400 Registered Nurses and 150 technicians for the last 40 years at Waterbury Hospital, Frances Padilla, President of the Universal Health Care Foundation here in Connecticut, and Sal Luciano, the Executive Director of District Council 4 of the American Federation of State County Municipal Employees and, also, the President of the Connecticut State AFL-CIO.

Not here, because of airplane flight difficulties, is Loren Bates, who is the Health Care

Analyst for AFSCME International. We'd simply ask that you accept her pre-filed testimony for the record.

I would simply point out, as a procedural matter, I believe Ms. Padilla was not here when you swore in the witnesses, so I just want to remind the Hearing Officer to do that before she testifies.

HEARING OFFICER HANSTED: Thank you.

MR. MURRAY: Thank you.

MS. BARBARA SIMONETTA: I guess it's evening now. Good evening. My name is Barbara Simonetta, and I am President --

HEARING OFFICER HANSTED: Can you just speak more into the microphone, please?

MS. SIMONETTA: My name is Barbara Simonetta, and I'm President of CHCA, NUHHCE, AFSCME, and I accept my pre-filed --

HEARING OFFICER HANSTED: Adopt.

MS. SIMONETTA: Adopt.

HEARING OFFICER HANSTED: Thank you.

MS. SIMONETTA: My pre-filed testimony. I thank you for accepting our application to be Interveners in this docket concerning the acquisition and transfer of Waterbury Hospital, a public good, created and supported for a century by the citizens of Waterbury, Connecticut,

its assets and book of business to a private for-profit entity that buys and sells hospitals.

A transfer of this public asset should only occur after the thoughtful consideration determines that it is in the best interest of those citizens and not merely the shareholders of Tenet and its extremely well-compensated corporate leadership.

From the vantage point of the workers, serious questions arise over how this takeover will impact the quality of services to the community, costs to patients, taxpayers and those who pay insurance premiums.

For the purposes of this presentation, I would like to focus on Tenet’s fitness to acquire this hospital, the effects of private ownership on hospitals, on care and access, a purchase of doctor practices, the total scope of proposed acquisitions that may lead to market dominance by Tenet, and the effects on workers and possible solutions.

Over the years, Tenet has grown to be one of the largest owners of hospitals in the nation, but this growth has come with a price to taxpayers and patients.

Over the last 12 years, Tenet has paid nearly one billion dollars in fines for Medicare fraud,

paid 25 million dollars for patients harmed or killed in their hospital during Katrina, and sued for Medicaid kickbacks.

Tenet will claim that this is old news, that it has changed, that there is a new leadership, instilling a new culture of compliance and honesty.

While I believe institutions with a troubled past can change, it is important to implement strong safeguards to prevent bad habits from reappearing.

Senator Chris Murphy recently released a report on the effects of a for-profit entity acquiring not-for-profit hospitals and establishing market share.

A study demonstrated that Medicare billing goes up, and services shift to more profitable product lines and away from less lucrative, but still essential services.

Key findings include that for-profit hospitals are more likely to offer financially-profitable services.

States with higher percentages of for-profit hospitals spend more for Medicaid beneficiary than states with high percentages of non-profit hospitals.

If Connecticut’s per enrollee spending was the same as for-profit spending, Medicare would have

spent $173 million more in that same year for Connecticut beneficiaries. Non-profit hospital behavior changes when for-profits are in the same market.

And being in my line of business, being in many different hospitals in Connecticut, I've already heard that, in many non-profit, people at the bargaining table, you know, Tenet is coming into the state, Barbara, and we have to make preparations to compete with them.

Research has found that the more for-profit hospitals there are in a city the more non-profit hospitals in that area respond aggressively to revenue increasing opportunities, adopt profitable services, discourage admissions of unprofitable patients, and reduce resources devoted to treating the patients they do admit.

Tenet trumpets its ability through bulk purchasing to save money. It can buy goods at substantially cheaper rates than a standalone hospital can.

This appears to be true, but Senator Murphy's findings raise the question where does that extra money go? Access is directly related to cost. When costs rise, access is diminished.

Another troubling treatment development is

that Tenet is proposing to outsource its doctors in California. According to a Modesto Bee article, dated June 12, 2014, I am sure some accountant in Dallas told the company they could save a lot of money if they knew this, said Dr. Robert Barandica, Chief of Medical Staff and Emergency Department at Doctors of Modesto.

On paper, it may sound good, like a good idea, but they are not realizing what the impact is on the local level.

Tenet floated similar schemes in other California hospitals, but physician and patient outcries caused them to discard this plan, but Dr. Barandica's remarks mirror repeating.

A Dallas accountant, who has no idea of the impact on care, probably did think it was a good idea to save money and reap additional profits.

It raises a question will similar profit sharing decisions be made here in Waterbury even at the detriment to patient care?

Conversely, Tenet's junior partner in this takeover bid, Yale-New Haven, has been buying up individual doctor practices in the New Haven area.

This has caused billings to increase. The same procedures performed in the same office by the same

personnel can be billed at a much higher rate, because it is now deemed to be a hospital facility instead of a doctor's office.

While the CON process that the Office of Health Care Access and the Attorney General are undertaking may be technically correct, that piecemeal consideration of Tenet's purchases of Waterbury Hospital, St. Mary's, Bristol and ECHN, coupled with its alliance with Yale-New Haven, may result in establishing Tenet's market dominance in the state in a very short period of time, with scant thought given to what will happen when we allow such a development.

As stated above, for-profits raise costs. Access is directly related to cost. When costs rise, access is diminished.

Several developments in other states offer some guidance on what the future may hold for Connecticut if Tenet is allowed such market dominance.

In Idaho, the Federal Trade Commission is investigating whether purchases similar to Tenet's will create a monopoly. Our Attorney General has joined in those proceedings.

According to Edith Ramirez, the Chairwoman of the Federal Trade Commission, a combination of St.

Luke's and Saltzer would have given the merged hospital system the market power to demand higher rates for health care services, ultimately leading to higher costs for both employers and consumers.

Attorney General Jepsen has joined the fight for consumers in Idaho, and it's crucially important for Mr. Jepsen to continue to fight for Connecticut health care consumers and to insure that our antitrust laws are not being trampled in the name of corporate investment in Connecticut.

In Massachusetts, an interesting development is occurring with Partners HealthCare efforts to buy more hospitals. A settlement is being floated that will cap the amount of great increases that can occur after more hospitals are acquired.

From a Forbes magazine article in August of 2011, Toledo hospital executives are offering bromides about how consolidation will lead to more efficient and cost-effective care, but the long history of hospital mergers shows no evidence that consolidation leads to either.

Indeed, according to FTC lawyer Matthew Reilly, the merge of Toledo Hospital immediately went to work jacking up rates.

Soon after the acquisition was consummated, Mr. Reilly said ProMedica approached certain health plans to obtain higher reimbursement rates. Higher rates, he said, are typically passed onto consumers in the form of higher premiums, copayments and other costs.

Similar bromides are the basis for Tenet's proposal to purchase hospitals in Connecticut. Like Tenet, Partners is trying to stifle a discussion on the impact on the acquisition and cost.

From an article in the October 5th Boston Globe, saying she needs more time to weigh the consequences, Judge Sanders expressed serious concerns about the impact of the settlement on the State's overall health care system and the ultimate cost to consumers.

This is a wrong venue for that, one of Partners lawyers told the Judge. Your job is not to fix the health care policy system in Massachusetts.

To his suggestion, that she is overstepping her bounds, Sanders replied, "I don't think that market impact can be ignored."

Judge Sanders is correct. Market impact mergers should not be ignored. Similar considerations should be taken here in Connecticut.

As a representative for Collective Bargaining for nurses and techs at Waterbury Hospital, we have already seen the effects of Tenet involvement at Waterbury Hospital.

Through a long, contentious two-year, you know, bargaining session, we had many disagreements over what we were willing to give up, in order to facilitate the hospital's ability to sell themselves to Tenet.

It was proposed that way, it was spread throughout the hospital that way, and it was the Registered Nurses at Waterbury Hospital that could cause its downfall in its closure if we did not give up, number one, our pension and other benefits.

After many, many sessions and meeting with Waterbury Hospital, they are requesting, you know, many concessions. We requested to meet with the people, who are really asking for these concessions, and, at that time, we finally met face-to-face with Tenet and their representatives.

Other than that, there were no voluntary meetings with the hospital staff, with Tenet and/or other representatives.

More ominously, you know, is the long-term effects of for-profit entry in the Connecticut market.

If costs go up, as has been the case in other states, we fear that there will be increased pressure on us to pay more for our health care, reduce wages, or consolidate jobs, in order to insure Tenet's profits.

Also, if major changes occur at Waterbury Hospitals that put shareholders' interests above patient needs, it is likely that skilled experienced staff will leave, thereby diminishing quality.

The State deems that it is appropriate for for-profit entities to greatly expand in Connecticut. CHCA recommends, as a pre-condition to any approvals, that strong, enforceable and clear conditions for Tenet or any other for-profit to abide by or establish, require similar protections to those acquired by the Attorney General and OHCA and the Sharon Hospital-Essent partnership.

Key items, based on Sharon deal or recommended to go farther than that deal, include creation of a completely independent community advisory Board, chosen by OHCA, with oversight responsibility, appointment of an independent monitor through OHCA for at least five years, funded by the purchaser, require staffing cuts or changes in the next five years be subject to OHCA review, no reduction in transparency or

information required of non-profit hospital, creation of a self-funded Board by the hospital to insure compliance and perform audits, maintenance of a charitable foundation from the charitable assets of an appropriate and considerable size.

The new foundation should have right of first refusal to buy the hospital in the first 10 years if Tenet leaves, ban or strictly limit hospital facility fees at minimum from public employees and public programs funded by taxpayers, protect against price inflation and monopoly power, such as establishing a cap on price increases, require a community benefits agreement between community and purchasers, a written agreement, not a verbal one.

I want to thank you for this opportunity to submit this testimony and participate in this important hearing. We realize that the business of health care is rapidly changing, with more emphasis on business at the expense of care.

We realize that there are forces that we cannot compete against. The loop between profit share prices and out of whack executive compensation packages that are spiraling out of control, all of which are damaging good paying middle class jobs and standards of

living, and, in this case, that closed loop may also impact our community's health.

It is our hope that you will inject strong controls over this process and mitigate the damage we fear that will happen to not only our members, but to patients, consumers and taxpayers. Thank you.

MR. ZINN ROWTHORN: Thank you.

HEARING OFFICER HANSTED: Thank you.

MS. FRANCES PADILLA: Shall I stand to be sworn in?

HEARING OFFICER HANSTED: Thank you.

(Whereupon, Frances Padilla was duly sworn in.)

MS. PADILLA: Good evening. My name is Frances Padilla, and I adopt the testimony I previously filed.

HEARING OFFICER HANSTED: Thank you.

MS. PADILLA: I come before you as President of the Universal Health Care Foundation of Connecticut, where we advocate for transformative systems change to improve access, quality and affordability for everyone in our state.

I've also served on the Board of Trustees of the Hospital of St. Raphael in New Haven and on its

Finance Committee, where we struggled mightily over the years with the challenges of reconciling mission and margins.

Ultimately, we all know how that story ended, with the acquisition of St. Raphael by Yale-New Haven Hospital's system.

My remarks today will focus on the consumer, the patient, and the community impact of the proposed Waterbury purchase.

The conversion of a non-profit community hospital is a complex undertaking, not an easy course of action to decide. A community hospital is a local treasure, a trusted source of care at times on a planned basis and at other times on an emergency basis.

It's also a longstanding local institution, an employer of many types of professionals and supporting staff, often the principal source of employment for the residents of the surrounding neighborhoods, a member of the local business community, and a part of the civic infrastructure supporting charitable and educational activities in the community.

I respect the due diligence of the Waterbury Hospital Board and leadership as it wrestled over the past several years on how best to protect the

future of hospital care in the Greater Waterbury area.

As we at the Foundation observed the process unfolding in Waterbury and elsewhere in the state, several concerns arise, which I will outline and also offer some recommendations.

The current trend of hospital consolidations and conversions is happening in the context of health reform, where the Affordable Care Act seeks to improve access to care, reduce costs, and improve quality.

Hospitals readily point to the ACA's heightened focus on accountability and value-based reimbursement as a driving factor behind these trends.

Consolidations and conversions are held up as the only defensible options to insure the fiscal viability of hospital services and communities.

The Affordable Care Act seeks to keep people out of the hospital, calling upon hospitals to retool their care model to play a different role in preventing illness and complications of illness.

As a for-profit enterprise accountable to shareholders, we worry, frankly, that for-profit hospitals are more likely to develop or expand profitable lines of service, such as open heart or orthopedic

surgery, and minimize or drop less profitable ones, such as psychiatric services.

It is important to continually bear in mind who lives in Waterbury and the surrounding communities to be served by the proposed conversion.

Waterbury is a community, not a market, with many community economic and social challenges. Priority health issues in Waterbury include access to care of the people enrolled through the Health Insurance Exchange. In its first enrollment period, there were about 20,000 people without insurance here in Waterbury, and just over 5,000 were enrolled, so there remains still more than 15,000 people uninsured in Connecticut, in Waterbury.

Mental health and substance abuse issues, Waterbury has the highest rates of suicide in our state. Overweight and obesity and tobacco use, they’re a chronic illness, and the need for coordination of care to improve the conditions of chronic illness are very, very essential services that did not appear in the list of essential services previously cited.

While costs, prices and profitability may be Waterbury Hospital’s and Tenet Healthcare’s driving concerns, access to essential services and affordability

are the consumers' concern, particularly for the city's working poor and Medicaid populations.

The CON states that programs, such as the Waterbury Access Project and its Behavioral Health Services, will be continued as long as grant funding is available, so it's really unclear whether those services will continue if grant funding from the state is not available later on.

It's also unclear that any charitable foundation would be able to continue to help support those types of programs, which usually are much more costly than foundations can afford to fund through grants.

Connecticut's one for-profit hospital conversion, Sharon Hospital in rural Litchfield County, offers some lessons to consider in the current deliberations.

You will hear public comment later today from Nancy Heaton, CEO of the Foundation for Community Health, which is the Conversion Foundation resulting from the hospital's sale in 2004.

In that case, Attorney General Blumenthal called for the creation of a community Board appointed by the hospital to collaborate on the community's ongoing

needs.

Actual experience has been that the Board is unable to obtain much useful information from Sharon Hospital. It is reported that the hospital does not share information they collect concerning community health needs with the Board, nor the Foundation, and it has been generally uninterested in joint efforts to collect data.

Access to certain services, including Reproductive Health and the Free Care Program, have declined in the years since the conversion.

Our colleague foundation desperately seeks information to help the community identify what it would do if the hospital downsizes or sells again, which has already happened once, what's needed in their community, how could they stop further downsizing if they needed to, and what makes sense.

In retrospect, the Sharon experience helps us see that the community Board should be independently appointed, its roles explicitly articulated as part of the conversion approval process, with clear authority to obtain information central to assessing issues regarding access to and affordability of essential services.

There should be clear recourse for the

Board when such information is withheld. Charitable purposes of the Conversion Foundation should be safeguarded from capital calls or to replace health services that are more appropriately funded in other ways. Foundations cannot underwrite ongoing costs of essential health services.

If the Office of Health Care Access and the Attorney General decide to approve this sale, it should be with protections insuring the preservation of good jobs, commitment to hiring locally, and community access to essential services and community benefit standards.

To further keep the focus on the quality provision of essential health services and transparency, the Universal Health Care Foundation also recommends that the composition of the hospital's governing Board include 51 percent patients and hospital and medical staff, without relegating such members to Class B status, and I echo the call for racial, ethnic and gender diversity in governance. Absolutely essential.

In addition, all for-profit hospitals should be required, including Waterbury Hospital and St. Mary's, to conduct community health needs assessments and make them public, as required of non-profit hospitals by

the ACA. Voluntary compliance is insufficient.

The preceding recommendations assume that the Waterbury Hospital/Tenet conversion proposal may be approved, as may others. The trends these particular cases have created are rooted in reimbursement revenue pressures, declined volume, excess bed supply, and need for access to capital.

Payment reform expectations challenge hospitals to develop new capacities to completely retool their model. Care coordination, data analytics, risk stratification, all capacities that require money and brain power.

These pressures are accelerating these trends, and the ramifications of the trends are yet to be fully understood.

Much of the basic redesign of the hospital infrastructure in Connecticut is happening out of fear, uncertainty and worry about market position. A siege mentality has taken over.

There appears to be little strategic intent by state regulatory and legislative bodies to facilitate planning for a hospital system that meets the needs of 21st Century Connecticut and that begins with a focus on population health, not individual hospital

survival.

The Foundation gave testimony to the legislature's Public Health Committee in February of this year, recommending that even if these particular deals are approved in the short-term with protections, there should be a moratorium declared on future deals.

Once again, we call for a moratorium. Perhaps the recently-formed legislative Task Force on hospitals with all public, private and community stakeholders at the table should carry out rigorous analysis of current and projected community health needs, the options available to hospitals for meeting them effectively and efficiently.

A moratorium should be declared for a reasonable enough period to allow evaluation of Connecticut's experience with the models; consolidations, conversions and hospital affiliations, such as the Value Care Alliance by seven community hospitals resisting the current trends.

The Task Force should identify regulatory and legislative measures to insure a hospital's viability while protecting the health interests of the state's residents.

In closing, even if consolidation is the

right thing, it needs to be done in a planful, deliberate and rational way, with built-in accountability mechanisms.

Thank you for the opportunity to present to you today.

HEARING OFFICER HANSTED: Thank you.

MR. SAL LUCIANO: Good evening. My name is Sal Luciano, and I adopt the testimony I filed.

HEARING OFFICER HANSTED: Thank you.

MR. LUCIANO: I'm the Executive Director of Council 4 AFSCME, a Union representing 32,000 workers in state and local government and the private sector.

I also serve as President of the Connecticut AF of L, a labor federation that is the voice of more than 200,000 unionized workers and their families.

I also serve as a labor representative on the State of Connecticut's Health Care Cost Containment Committee. I'm proud of the work done by Labor and Management to control administrative costs while providing quality care to State employees and their families.

Finally, I grew up in Waterbury. My family and I consider Waterbury Hospital to be our

community hospital, and we want it to stay that way. Both my daughters were born there.

Two months ago, U.S. Senator Chris Murphy released a report, showing that states where for-profit hospitals dominate spent three percent more per Medicare beneficiary than states where not-for-profit hospitals dominate.

By cherry picking the kind of care being delivered to patients, investor-owned hospitals ultimately drive up Medicare costs while also pressuring non-profits to follow that same dangerous model of prioritizing revenues over patient care.

As you know, our Union has filed as an Intervener. Our members are concerned about the community impact on care and pricing if Tenet is allowed to gobble up Waterbury and St. Mary's Hospital.

I'm concerned about the impact to all working families, but I'm particularly concerned about the impact on State employee health care costs from the perspective of my Union and the State Employees Bargaining Agent Coalition, which negotiates health and pension benefits with the State of Connecticut.

Thanks to the Health Enhancement Program that we negotiated, we're incentivizing State employees

to live healthier lives and significantly reducing the costs associated with care. That's good for workers, certainly, but it's good for all of us as taxpayers.

Due to the change to this value-based system, we have reduced all surgeries across the board, both inpatient and outpatient, yet we have recently seen the cost for these procedures dramatically increase, a disturbing trend that could relate to the consolidation of hospitals and doctor practices, so the good news is we're doing many fewer surgical procedures. The bad news is for far more money.

As a result, through legislation passed this past session in the General Assembly, the State Comptroller is tasked with studying this issue in the coming months and recommending a plan of action.

Tenet's monopoly will undercut the gains we've made through hard, but constructive bargaining with the State of Connecticut.

My Union sister and colleague, Barbara Simonetta from CHCA, has provided compelling and detailed testimony about the potential for harmful impact on hospital workers in the Waterbury community.

CHCA and other community stakeholders have recommended pre-conditions that should be placed on Tenet

to insure quality care if you decide to approve this sale, and we strongly agree.

I have heard Tenet's representatives at the Legislative Office Building in testimony say and mention today that the main difference between non-profit hospitals and for-profit hospitals is that the for-profit hospitals pay property taxes, but that isn't true, is it?

Tenet also has to find a way to pay their CEO almost $23 million a year and make a profit for corporate shareholders.

Where does that money come from? It comes from the Waterbury community. Where does it go? Not in the Waterbury community.

Tenet may run the hospitals, but as a corporation, their ultimate goal is not health care. It's profit.

As you debate the merits of approving Tenet's proposed takeover, we also urge the State to establish strong, clear, and enforceable community benefits that go beyond what was required at Sharon Hospital and protect patient care and control costs in a reasonable and effective manner, otherwise, Tenet should be rejected. Thank you.

MR. ZINN ROWTHORN: Thank you.

HEARING OFFICER HANSTED: Thank you. Do you have anyone else, Attorney Murray?

MR. MURRAY: Not for --

HEARING OFFICER HANSTED: CHCA? Okay, but, for CHCA, you're completed?

MR. MURRAY: We're done.

HEARING OFFICER HANSTED: Okay. Do the Applicants have any Cross-Examination for CHCA?

MS. CONNORS: Just a few questions.

HEARING OFFICER HANSTED: Sure.

MS. CONNORS: The first directed to Ms. Simonetta. Are you for or against the granting of this Certificate of Need for Waterbury Hospital?

MS. SIMONETTA: I haven't taken a position against it, but I haven't taken a position for it. If it occurs, I want to make sure that there are safeguards in place that are going to protect the citizens and the patients that use this facility and, also, of St. Mary's that would insure that the care and the access that they have is still there and will continue to be there.

MS. CONNORS: Are the payments of the CHC pension liability more or less likely to be made with or without Vanguard as Waterbury's partner?

MS. SIMONETTA: Waterbury Hospital in the

25 years that I've been associated with this Union has never missed a pension payment to the Union pension plan that covers their employees.

MS. CONNORS: Okay.

MS. SIMONETTA: That is not a guiding reason why I'm here and why I'm presenting testimony.

MS. CONNORS: Okay and do you know that, without a capital partner, when it is that Waterbury Hospital will essentially run out of money and perhaps not be able to continue those payments, as they have in the past?

MS. SIMONETTA: I have no knowledge, as to the finances of Waterbury Hospital and when it would run out of money. All I know is what I'm being told, but I have no evidence that it would happen and, if it did happen, when it would happen.

MS. CONNORS: Okay, so, you don't have any information that that is something that we could be within months of if we did not have a capital partner?

MS. SIMONETTA: I'm being told that that is what would happen, but, again, I have no knowledge.

MS. CONNORS: That's it. Thank you.

HEARING OFFICER HANSTED: Thank you. Anything further?

MR. SHEARIN: Yes, thank you. Mr. Luciano, I can't see you, but have you read the application?

MR. LUCIANO: I'm sorry. I didn't hear you.

MR. SHEARIN: Have you read the application?

MR. LUCIANO: Yes.

MR. SHEARIN: You read it cover to cover?

MR. LUCIANO: I scanned it, yes.

MR. SHEARIN: Okay, so, you understand the terms of the application?

MR. LUCIANO: I believe I do, yes.

MR. SHEARIN: Okay. Can you explain to us what the terms of the venture will be?

MR. MURRAY: I'm going to object. It's beyond the scope of his testimony.

MR. ZINN ROWTHORN: I think that's asking a lot, frankly. Let's move on.

MR. MURRAY: We're happy to do this. We'll stay here until 3:00 or 4:00 in the morning.

MR. SHEARIN: Let me ask you this, Mr. Luciano. Have you done an analysis of what alternative options exist for Waterbury Hospital, besides the

Tenet/Vanguard transaction?

MR. LUCIANO: No.

MR. SHEARIN: Thank you. Same question to you, Ms. Padilla.

MS. PADILLA: Well it is understood that there are options that might involve strategic alliances. The seven hospitals, community hospitals in Connecticut, who formed the value of care alliance, decided to band together, so that they could address some of the ACA requirements for care coordination, HIT, and other capacities that each individual hospital needs to have, and, so, there are some options that others are exploring, and that is the extent of that.

MR. SHEARIN: Did the seven-hospital alliance that you just discussed, did that address the debt obligations of any one of those hospitals?

MS. PADILLA: It does. It does, and they are looking to join forces to pursue, is my understanding, pursue capital investments jointly.

MR. SHEARIN: Capital investments, or debt?

MS. PADILLA: I don’t know about the debt.

MR. SHEARIN: If I can stay with you for a minute, Ms. Padilla, have you been here throughout the

course of the afternoon, as we've been discussing the proposed transaction?

MS. PADILLA: Yes, I have been here.

MR. SHEARIN: Have you heard the witnesses talk about the importance of Waterbury Hospital to the community of Waterbury?

MS. PADILLA: Yes, I have.

MR. SHEARIN: Do you agree that Waterbury Hospital is important to the community?

MS. PADILLA: Absolutely.

MR. SHEARIN: Have you heard the testimony from Mr. Contadini and others about the financial distress of Waterbury Hospital?

MS. PADILLA: Yes, I have.

MR. SHEARIN: Do you disagree with that testimony?

MS. PADILLA: No. I don't have any basis to disagree or agree. I am taking it on the basis of the application and the fact that I know that hospitals in Connecticut are struggling.

Some hospitals are struggling quite severely, and it is a very difficult period for hospitals in the United States, but here in Connecticut, in particular.

MR. SHEARIN: So if I understand your testimony right now, two of the three conditions that you point to on page three of your testimony, as to whether it is good policy to approve conversions, have been satisfied, correct?

MS. PADILLA: It really requires a careful analysis of what Connecticut needs as a state over the course of many years, and I totally understand that community-by-community, especially in Connecticut, where we are 169 towns and municipalities and think that we can't drive any more than seven minutes to go to the hospital, I understand that all politics and all health care is local.

I do believe that we, as a state, need to really step back a minute, stop and don't do anything for a second, and really examine what the hospital of the 21st Century needs to be for the needs of our state.

Between the fact that we have two Connecticuts, socioeconomically and racially and ethnically, and the aging demographics of our state, we really do have to think about what hospitals are going to require.

We have an unsustainable system of financing in health care. I have listened intently to

the move from fee for service to fee for value. I totally support that.

I have given testimony at the State Legislature. I have co-Chaired task forces of the Health Care Cabinet and the State Innovation Model, where I have promoted value-based insurance design and value-based health care.

I do feel that we need to be planful as a state, and that the move to go from a non-profit environment -- and non-profit doesn't mean no profit. I understand that, but to go from a non-profit environment to a for-profit environment throws in a whole new set of incentives that we don't really have a full way of understanding as a state.

You, having studied it more closely, may understand its implications locally, but I do not believe, as a matter of state public policy, that we fully understand it.

MR. SHEARIN: Thanks for that, but that wasn't my question. My question was on page three. You list three questions that, to quote you, "Whether or not it is good policy to approve conversions will depend largely on three questions."

The first, are hospitals being acquired

essential to the communities they serve? You said you agreed with that, correct?

MS. PADILLA: Yes.

MR. SHEARIN: Okay. We'll get done a lot quicker, ma'am, if you just answer yes or no. The second question was, if they are financially troubled, as Waterbury Hospital is, but essential, is there another way to keep them open, right? Do you see that question?

MS. PADILLA: I see the question.

MR. SHEARIN: Okay and, other than the value, the seven-hospital approach, you don't have any other suggestion, as to how to keep Waterbury Hospital open? I can't hear you.

MS. PADILLA: I don't believe that's my responsibility, sir.

MR. SHEARIN: I'm just asking the question, ma'am. Do you have some other alternative you can propose to this body?

MS. PADILLA: I'm saying I don't think it's my responsibility to propose an alternative to this body. What I posed was a question about the larger set of issues that we have to ask, both at the local level and at the State level.

MR. SHEARIN: The third question you posed

is, if they are converted, will changes in the financial incentives for these hospitals affect access to care in the community and, if so, how?

MS. PADILLA: That is yet to be seen. The proof will be in the implementation.

MR. SHEARIN: Right. That's right. The proof will be in the pudding, right?

MS. PADILLA: Exactly right. And what --

MR. SHEARIN: Ma'am, there's no proof in your testimony that that will not occur, correct?

MS. PADILLA: I don't think I have to prove that that will or will not occur. I think that what I was saying is the communities have to have a say, and communities, the community, not the market, the community has to have the opportunity to have the discussion.

I didn't say that the fact that, you know, these hearings are held during the day, when people, by and large in the community, are working and unable to participate, that these are complex and interrelated issues that need a fair amount of public education, in order to be able to engage meaningfully and understanding the ramifications or the implications of these kinds of changes.

These are questions that ought to be explored deeply in the community, and that was the point that I was making in my testimony.

MR. SHEARIN: Thank you, ma'am. Ms. Simonetta, can I ask you just a couple of questions? My first question, Ms. Simonetta, have you read the application?

MS. SIMONETTA: No, I haven't read it cover-to-cover.

HEARING OFFICER HANSTED: Can you just speak into the microphone, please?

MS. SIMONETTA: I have not read it cover-to-cover, no.

MR. SHEARIN: Okay. Who prepared your testimony?

MR. MURRAY: Excuse me. I'm going to object to it, because he may be treading on attorney/client privilege. Why is it at all relevant who prepared her testimony?

I guess we would also ask that the committee, if they're going to allow that question, allow us to direct the question to each and every one of the Petitioner's witnesses and the people sitting in the seats behind them.

HEARING OFFICER HANSTED: I'm not going to allow that question, so the objection is sustained.

MR. SHEARIN: Ms. Simonetta, in the testimony you filed, maybe I didn't see it, but I never saw the word need discussed in your testimony. Do you recognize that a need exists at Waterbury Hospital?

MS. SIMONETTA: Need for what?

MR. SHEARIN: Let me ask you this question, ma'am. Do you doubt Mr. Contadini's testimony, that Waterbury Hospital is on a financial cliff?

MS. SIMONETTA: I have said that I am not against the hospital being purchased. I am not for it. I think a case needs to be made, and I think that's your purpose here, that a sale should happen.

My purpose here is that, if there is a sale, that the community and the patients that are served by the people that I represent are preserved, and all the rights that they have should be looked at, and that's why I called for a written Community Benefits Agreement and the other safeguards in place, you know, for the community and the patients.

MR. SHEARIN: Are you aware of some segment of the community that has not been consulted with respect to this application?

MS. SIMONETTA: Well I've been involved, you know, with this issue since it began. I was notified as a representative of the employees, that, you know, that this sale was going to go forward.

I don't believe at any time, you know, did Waterbury Hospital have a public hearing to bring it out to the public citizens of Waterbury until myself, representing the employees, began to raise questions about what was happening.

What was the background on the company that was buying the hospital? What were the assurances of the patients and the citizens of the community? Then Mr. Pilgrim and Darlene began to make appearances, explaining what was happening.

MR. SHEARIN: Okay. My question was somewhat different, ma'am. Earlier, Mr. Pilgrim and Mr. Contadini and Ms. Strumstad testified, as to the people that they communicated with with respect to this application. I'm asking you if there's some segment of the community that has not been consulted with that asked to be consulted with.

MS. SIMONETTA: I believe they said they communicated with the leadership in the community, with the leadership in the hospital, with the doctors in the

hospital, but they at no time met with the Registered Nurses, nor the technicians that I represent, until we requested repeatedly to meet with Tenet and ask questions, and then, when we did have a meeting, it was limited to the Negotiating Committee for the RN contract.

MR. SHEARIN: Okay, so, if I understand you correctly, the segment of the community is the Union?

MS. SIMONETTA: I'm sorry. Repeat that, please?

MR. SHEARIN: So, if I understand you correctly, the segment of the community you're referring to is the Union?

MS. SIMONETTA: No. I'm referring to the community, the City of Waterbury and the citizens and the areas, surrounding areas that the hospital serves.

MR. SHEARIN: Okay, so, do you know who it was that said I want to talk to you people?

MS. SIMONETTA: I'm sorry. I'm not following.

MR. MURRAY: I'm going to object to this question. Essentially, counsel is asking Ms. Simonetta to prove a negative. I mean who is it that they didn't talk to? I just object to the line of questioning.

MR. SHEARIN: It's a direct line of

testimony, direct line of testimony that the community has not been consulted.

HEARING OFFICER HANSTED: Counsel, I think she's answered to the best of her ability. I'm going to ask you to move on from that line of questioning.

MR. SHEARIN: I have no further questions.

HEARING OFFICER HANSTED: Thank you. CHCA, do you have any Redirect?

MR. MURRAY: No Redirect.

HEARING OFFICER HANSTED: Thank you. At this time, the Massachusetts Nurses Association may proceed with their Direct testimony.

MR. MIKE FADEL: Thank you. My name is Mike Fadel, and I want to thank both the Attorney General's Office and the Office of Health Care Access for allowing this testimony from the Massachusetts Nurses Association.

I'm here representing the Massachusetts Nurses Association.

HEARING OFFICER HANSTED: Sir, before you proceed, would you just adopt your pre-filed testimony?

MR. FADEL: I do.

HEARING OFFICER HANSTED: Thank you.

MR. FADEL: I adopt my pre-filed

testimony. I'm here representing the Massachusetts Nurses Association and its 23,000 members, some of whom live in Connecticut, and, significantly, though, 1,000 nurses, who work at St. Vincent Hospital and MetroWest Medical Center. The Tenet facility is located in Massachusetts.

Just I think in the interest of time, I can summarize the pre-filed testimony, if that's okay.

HEARING OFFICER HANSTED: That's fine.

MR. FADEL: I didn't think there would be any objection to that. The two primary reasons why the MNA is interested here is, first, we share Moody's Investor Services concerns, that Tenet's significant capital spending requirements will limit their free cash flow in the near term and constrain the ability to meaningfully repay debt. That's from September 2014, a month ago.

I think, put another way, the often-used phrase, past performance may not be a perfect predictor of future results, but this is the second reason that we wanted to have this opportunity, it's the best predictor that we've got when it comes to individual or corporate behavior, so we think it makes some sense to look at the history of corporate behavior in this instance, in order

to best -- at least have some crystal ball, as to possibility of future results.

The financial pressures created by Tenet's highly-leveraged position have a real impact on the hospital floor and in the communities in which Tenet is located. Those impacts, I think, are specifically felt in staffing. They're felt and have been expressed historically through a number of cutting corners, I guess would be putting it charitably, the fraud allegations, which have resulted in massive settlements unprecedented in the history of OIG or CMS, and history of postponed, deferred and delayed capital investments in other acquisitions around the country.

Let me just address very briefly the situation of staffing and the impacts on patients. In St. Vincent Hospital in Worcester, Massachusetts, the contract that the MNA has with Tenet has specific provisions laying forth the staffing ratios of nurses to patients for each of the units in the hospital; medical floors, surgical floors, behavior health floors, the whole gambit of the hospital services and inpatient units.

That was achieved not by some sort of beneficence wish on the part of Tenet, but was achieved

actually 13 years ago at the tail end of a 49-day strike.

At the other Tenet-owned facility, where we also have a contract, just about 35 miles down the road in Natick, MetroWest Medical Center, no such provision exists in the contract, and, unfortunately, in spite of our best efforts and the nurses there repeated pleas for improved staffing, MetroWest Medical Center, by the hospital's own reporting to the Massachusetts Hospital Association's website, Patients First, is among the lowest in the western suburbs of Boston, among the lowest nurse-to-patient staffing ratios.

So I think the takeaway from that is it shouldn't take a strike to have this company do the right thing, both by the patients that are served in its hospitals and by the nurses and other caregivers, who provide that care on a daily basis. I think that deserves further certainly scrutiny by Connecticut regulators.

Lastly, I think the history of allegations regarding Medicare fraud are well-documented. The literature is rife with it. I think, you know, it's included -- some of that history is included in my pre-filed testimony.

It should go, I think, it should be

restated, however, that I don't think any of the Tenet executives sitting here, or in Dallas, or anywhere else around the country go home and kick their dogs. They're probably all good and decent people. That's not why we're here today.

It's not because they're good or decent people or not. It's been not just a stubbing of the toe by the corporation, but very significant fraudulent actions, which have resulted in not just significant settlements, but massive settlements unprecedented really in the history of the Medicare program, and this has happened not just once, but we go back to 2003.

We can go back to 2006. We can look at 2012. We can look at sort of over the last decade, and you can see numerous settlements reached, both with states and the federal government, to resolve matters of these allegations that have been brought forth, both by federal and state regulators.

That should be a matter of significant concern and should bear further scrutiny by the state, as you look at Tenet's potential entry into the State of Connecticut.

Lastly, I just would say that, from our point of view, OHCA and the AG's office should doubly

scrutinize Tenet's financial situation against all of its existing capital commitments, those in Detroit and Chicago, in Texas, Arizona, its nationwide existing capital commitments and its proposed capital commitments in Connecticut and determine whether or not this is the best step forward for the State of Connecticut and for the citizens and caregivers of Waterbury. Thank you.

HEARING OFFICER HANSTED: Thank you, sir. Do the Applicants have any Cross-Examination?

MR. SHEARIN: Just two questions, please.

HEARING OFFICER HANSTED: Sure.

MR. SHEARIN: Sir, just so we're clear, the strike that you referenced also involved your demand for higher wages?

MR. FADEL: The strike at St. Vincent?

MR. SHEARIN: Yeah.

MR. FADEL: No. Actually, the fundamental sticking issue was Tenet's insistence on maintaining the right to use mandatory overtime as a staffing tool for Registered Nurses.

Nurses were adamant about the need to get out, that care was imperiled and unsafe, if they were forced to stay beyond the end of their already lengthy 10 and 12-hour shifts.

That strike ultimately, on that basis, in staffing as a whole, it was a strike about staffing, was concluded in Senator Kennedy's, the late Senator Kennedy's office in D.C. His direct intervention on behalf of the patients of Worcester and the nurses of that institution resulted in that settlement.

MR. SHEARIN: So is it your testimony, sir, that the strike did not involve pay raises?

MR. FADEL: The matter of raises had already been resolved. The sticking issue that resulted in the nurses walking out of the facility were mandatory overtime and staffing levels, their ability to carry out the demands of their profession in conjunction with their licensure.

MR. SHEARIN: Thank you, sir.

HEARING OFFICER HANSTED: Anything further?

MR. SHEARIN: No.

HEARING OFFICER HANSTED: Anything further, counsel?

MS. CONNORS: No.

HEARING OFFICER HANSTED: No, okay.

MS. CONNORS: Thank you.

HEARING OFFICER HANSTED: OHCA has some

questions.

MS. MARTONE: Mr. Fadel, Kimberly Martone, OHCA staff. I just have one question. In terms of your testimony, you're talking about unsafe staffing. Have there been any studies or reports that were done, in terms of these facilities that you're referring to, that were purchased by Tenet that have unsafe staffing, in terms of impact in quality of care at the facility?

MR. FADEL: In terms of an academic study or a longitudinal study, I'm not aware of any.

MS. MARTONE: Any evidence at all, in terms of -- because that would be our concern, is that it impacted quality of care if there was a reduction in staffing.

MR. FADEL: There certainly is anecdotal evidence from nurses. You can speak to nurses, I think, in Tenet facilities nationwide and hear their concerns about the ability to properly provide patient care.

MS. MARTONE: It's not that there were citations or any type of deficiencies that were issued, due to that issue, reduction in staffing?

MR. FADEL: That's not something that typically -- DPHs around the country don't typically issue citations in acute care settings. Long-term care

settings, it's far more common. Acute care settings, it's a rarity.

MS. MARTONE: Okay, thank you.

HEARING OFFICER HANSTED: Anything else?

MS. MARTONE: No.

HEARING OFFICER HANSTED: Next, we'll move onto the NAACP's Direct testimony. Why don't you, if some of you folks can vacate this table, so Mr. Rawlings can have a seat? Thank you.

MR. RAWLINGS: As I mentioned previously, I have a modified presentation and I have a copy.

HEARING OFFICER HANSTED: One copy to the Applicants, please, and then one copy for us would be sufficient.

MR. RAWLINGS: I have with me the President of the --

HEARING OFFICER HANSTED: I'm not sure that's on, Mr. Rawlings. If you can just check the button? It should go green. Very good. Thank you.

MR. RAWLINGS: I have with me the President of the State Conference of the NAACP, who will also have a few things to say. I would lead the major piece of the presentation.

HEARING OFFICER HANSTED: Okay.

MR. ZINN ROWTHORN: Mr. Rawlings, let me ask. I think you were sworn earlier. I'm not sure Mr. Esdaile has been sworn. Perhaps we can do that now.

(Whereupon, Scott Esdaile was duly sworn in.)

MR. ZINN ROWTHORN: Thank you. Please proceed.

MR. SCOTT ESDAILE: My name is Scott X. Esdaile, and I am the state President of the Connecticut NAACP. I am also the national Board member of the NAACP that represents Delaware to Maine.

We are an organization of 500,000 members nationwide, 2,200 branches throughout the world. We are the largest and oldest civil rights organization, and, today, I just want to discuss our major concerns pertaining to investor-owned care, and our major concern to investor-owned care is not that it wastes taxpayers' money, nor even that it causes a modest decrease in quality.

The most serious problem for such care is that it embodies a new value system that guts out the community's roots in the Samaritan traditions of hospitals and makes doctors and nurses the instruments of investors and views patients as commodities.

For-profit hospitals spend less as a percentage of revenue than not-for-profits for care of the poor. The necessity to generate revenues to satisfy investors and the large executive bonuses result in limitations of care that adversely affect the patient outcomes.

For-profit hospitals are more likely to provide profitable services, but less likely to provide an important but often not profitable services, i.e., nutrition counseling and psych services, etcetera.

The research given to us found for-profit hospitals in several states less likely to provide charity care. We asked the critical question. Number one, what metric has the health of the urban community improved under for-profit hospitals?

Number two, by what measure of health and wellness has the minority community benefited from for-profit hospitals?

Now our question really is to the A.G.'s Office. So we elect the Attorney General to protect the community, and the key question is are the patients first, or are the profits first?

And we need to make sure that you're protecting our community and the patients, because, when

it comes down to profit of patients, we know that Tenet is going to protect their profits and their investments, so from what we're told, 55 million on one hospital, 30 million on another hospital, so they have close to $100 million investment, but we have a huge investment, also, and that's the community, and we need to make sure that the A.G.'s Office is protecting the people and the patients before the profit.

So we're here to let you know our concerns. We're willing to sit down and take a look at this thing rationally, but it's extremely important that you, the A.G.'s Office, protect the people. Thank you.

MR. RAWLINGS: Good afternoon. Good evening.

HEARING OFFICER HANSTED: Good evening.

MR. RAWLINGS: I feel like I'm Malcolm Coldwell's David and Goliath in this room. My name is James Rawlings. I'm the Chair of the State Health Conference Health Committee. I served eight years on the National Health Committee. I'm the first Chairman of the Health's Equity Committee in the State of Connecticut, and I probably have a few other things and non-paying jobs that I've had working with Scott here.

Let me say, as the health person within

the NAACP in Connecticut, we are extremely pleased that this CON hearing is taking place to give Connecticut residents an opportunity to have input into this proposed acquisition of a cherished, not-for-profit, community-owned hospital changing to a privately-owned business entity possibly.

Your NAACP regards its proposed acquisition and new J.V. partnership as a really significant proposed change in health care delivery in Connecticut and in Waterbury.

Civil rights has changed, in terms of the NAACP, from the days of education and working and employment. Right now, the NAACP is concerned with two things; health equity and economic equity, both Chairs underneath this we're talking about today.

Let me tell you one more thing, so you understand the NAACP's position. Today, at 9:30, I was with the Chief of Police of New Haven and with the -- not the Attorney General. What's the other body involved here? We had a bomb scare this morning, so those are the kinds of challenges that we have in the NAACP.

Today, we're talking about the issues of something that is extremely important generationally. It's not important relative to who makes a few dollars

right now. It's more important that we protect over multiple generations children and those, who cannot be here today, because of the hour the we chose to have this particular CON, which I think is disfavorable, at 1:00 in the afternoon, for those who are working and cannot be here. Their voice, we have to help them today.

We're concerned with issues of access, we're concerned with issues of affordability, with concerns of availability of services, as has been mentioned.

Quality is important, but, as I mentioned previously, the issue of diversity, the issue of diversity.

Earlier this year, as a matter of fact, 18 months ago, the NAACP under Scott's direction we put out a national economic reciprocity report. Waterbury Hospital at that point had, before we started working on them, had one African-American on the Board, one.

We had to go down five layers before we saw an African-American at Waterbury Hospital. No CEO, no COO, no CFO, no Senior Vice President, no Vice President. Five layers in a community that's highly diverse.

That's why I asked the question previously

what would be the actions of Tenet, because health care has to be culturally competent. I don't see much culture diversity to my left, and that's a concern. It should be a concern for all of us.

Regardless, importantly, in discussion of a much broader issue, is health care going to be a right in Connecticut, or is health care going to be a privilege?

This issue of high, expensive elective surgery means health care is a privilege as we go forward. Will that be on our watch?

The overarching issues to the Waterbury community and the Connecticut residents from the perspective of the NAACP will Connecticut and Waterbury residents improve care, be consistent with the margins that Tenet wants to achieve?

Will we improve the health status of individuals in the state consistent with the margins that Tenet wants to achieve? Beyond the efficiencies of this proposal of how hospitals in Waterbury will be operated, we still have the pervasive and negative indicators of health care in Waterbury.

I've been in health care for 35 years, so I mention the fact that some people in this room don't

understand health care. I've been in health care for 35 years.

Let me tell you one thing that's for sure. A hospital can do well while the community is sick. That's the interventional model, and that's why we're -- for the Board of Health Care, not simply the vertical aspect of it, but the community.

When reviewing the reports from the Department of Public Health, Connecticut Children Voices, Waterbury Hospital's Community Needs Assessment, and our own Economic Reciprocity Report, we find significant challenges that have been mentioned earlier.

Obesity rates, will they be attenuated? There's no mention of that in the report. Will avoidable amputations be minimized? There's no mention of that. These are the prevailing issues around Waterbury Hospital.

For breast cancer screenings, we avoid late diagnosis. That's health, not the medical model, and I think that, in Connecticut, we still want to have a health system, not a medical system.

Again, will the (indiscernible) babies be addressed? There was no response before. There was a kind of a straight line. We could have done something.

One thing that's really concerning to me, I heard something about an NIH study under Tenet's rubric. Attorney General and OHCA have to make sure that anything that goes forward there's not a business model on the NIH to have poor people go in on clinical trials. That's the first time I heard that a minute ago.

If you're in a medical facility, it was part of HIC regulations, but the incentives are perverse, they're perverse.

In my old hat, I fought that, where you take poor people and have them in clinical trials. They don't understand the process.

In reviewing Tenet's Board of Directors, I see one minority. I would like to propose, among other things, the issue of community health and things that we all articulated, that on any new Board, and I understand the Board of Directors work for the hospitals, there be a committee looking at community needs, community benefits dedicated to that. That way, it's hard wired, as opposed to simply 12 individuals, who don't look like me, asking, doing something that they don't want to do.

That's an important piece of any new proposed structure. Some meet the specific and proposed change in Connecticut, in Waterbury, as a sizable urban

hospital. Quality must be broadly defined, not narrowly, relative to the number of individuals who don't fall out of the beds, etcetera, etcetera. That's not the metrics or the paradigm that we want to approach this with on our watch.

With this dramatic change, will these dramatic changes result in a reduction in preventable and avoidable admissions? Not once have I heard from Tenet or from Vanguard talk about something called avoidable and preventable admissions.

In poor communities, 40 to 50 percent of the admissions are avoidable and preventable, otherwise, if you don't want to deal with them, you always get paid well for surgeries that are avoidable. As I mentioned before, lower knee amputations. That's diabetes. If you have a good system in place around the community, you can reduce admissions to hospitals, and you can improve the health status of communities.

Will the focus on consolidation be at the expense of local businesses? During this consolidation, will local vendors lose jobs, because they want to consolidate and have jobs and opportunities in Texas? What will we do to protect local vendors?

What happens when you get these mega

systems they can buy cheap, but they'd much rather buy in Texas and save them a penny and we close a business in Waterbury. You have to be mindful of that.

Again, with risk issues of diversity and inclusion, we're heavily going forward within this good business model, especially as it relates to decision makers.

We're not arguing to have more diversity at the low end of the food chain in this new market. We need diversity in leadership.

Recently, we did a study across the State, but Waterbury Hospital didn't have anyone, anyone African-American or Spanish. Now you know why the community is sick. It's not culturally competent. It looks good on paper. I heard some great presentations earlier, but look at the numbers.

People are dying on our watch, and it's shameful, and I'm hoping anything we do going forward.

Let me close with this statement. The problem here is the medical model can always do well, while communities remain unhealthy with increasing levels of morbidity and mortality.

A hospital can do well with its margins, and a community can be safe. That's what we have. If

we're going to do anything with Tenet or anyone else, it has to be an inclusive, comprehensive health model, not a vertical medical model. Thank you.

MR. ZINN ROWTHORN: Thank you.

HEARING OFFICER HANSTED: Thank you, both. Do the Applicants have any Cross-Examination? None?

MS. MARTONE: Mr. Wexler, it's Kim Martone of the staff. I just have one question. I didn't ask this before, but when we were talking about the programs that you're going to institute or implement at the hospital, would one of them be the community-based care transition program, the one that speaks to reducing preventable admissions?

MR. WEXLER: Absolutely.

MS. MARTONE: Okay and that would be a definitive one that would be initiated immediately upon acquisition, or is there a time frame with that?

MR. WEXLER: As soon as we can implement that, in conjunction with the leadership of the hospitals. It's a very important program. We've deployed it at most of our hospitals in Tenet. It's been wildly successful in helping to reduce readmission, so we've very committed to that, and we've seen the excellent outcomes of it.

MS. MARTONE: Thank you.

HEARING OFFICER HANSTED: We're going to take a five-minute break.

MR. ZINN ROWTHORN: Before we do that, let me just say, first of all, to the Interveners, Mr. Rawlings, Mr. Esdaile, we appreciate you being here. Same thing to the CHCA, MNA, Ms. Simonetta, Ms. Padilla, Mr. Luciano, Mr. Fadel, we appreciate you being here and your input.

There were a couple of references to the timing of the hearing. We did think about having the hearing, so that the public portion would be in the evening.

We understand that not everyone is going to be able to be accommodated and be here to be heard. We're going to leave, as I mentioned before, we're going to leave the record open for comments until next Friday, I believe, and we're also going to link the CTN tape of this proceeding on the Attorney General's website, so if there are folks, who wanted to be here to hear the testimony earlier in the day, but because of other commitments couldn't, they're going to have access to do that, but, again, I just wanted to thank all of you.

MR. RAWLINGS: Thank you so much for

having us.

MR. ZINN ROWTHORN: Thank you.

HEARING OFFICER HANSTED: Five-minute break.

(Off the record)

HEARING OFFICER HANSTED: Okay, we'll go back on the record, and, at this time, we'll allow the Applicants to provide rebuttal testimony.

MR. SHEARIN: Thank you. We just have a couple of questions. Mr. Pilgrim, there were several comments made in the written pre-filed testimony, as well as that which was referenced here today, about Tenet's past involvement in litigation.

Can you comment on what changes, if any, the company has taken with respect to those experiences and what compliance programs exist today to avoid repetition of that conduct?

HEARING OFFICER HANSTED: Can you just check your microphone and make sure it's on, because I know some people were having problems hearing?

MR. SHEARIN: Sorry. I'll move it a little closer. Thank you.

MR. PILGRIM: Do you want to repeat the question?

HEARING OFFICER HANSTED: Would you mind repeating the question, because I think some people didn't hear it?

MR. SHEARIN: Sure. Reference has been made today in oral testimony, as well as the written testimony, to litigation in which Tenet has been involved in the past. Can you comment on that litigation? What changes have taken place in the company to address that kind of conduct and the compliance program that currently exists?

MR. PILGRIM: Thank you very much. And has been discussed in prior testimony, either testimony I've done before the Public Health Sub Committee, through the public hearing process, we've been very open and transparent about the history of the company, that in the early part of this century, we had several interactions with the Department of Justice and the OIG around some of the corporate behavior that occurred in the late '90s and early 2000s.

That behavior resulted in a series of fines that we paid. That behavior also precipitated massive change in the company, itself, starting with a new independent Board Chair that was brought in, Ed Kangas, who is actually a Connecticut resident, former

CEO Deloitte & Touche global wide, and a Board member of Norwalk Hospital.

Ed came in and identified and brought in Trevor Fetter, who is our new CEO. At that point, they reconstituted the Board of Directors, as well as the executive management team of the company, and embarked upon a reinvention, focusing on really two fundamental things, and that was quality of care and compliance.

And here we sit, 10 years later, it's a very, very, very different company that existed at that point in time. It's a company that has been widely recognized, either by Institutional Shareholder Services or Episphere, for both our governance and both for our compliance programs.

We have a very independent Board. We still have Ed Kangas as our independent Board Chair, non-executive Board Chair, and we have a compliance program reporting directly to the Board that, as I mentioned, has been recognized for its efforts.

Since that time, we operate in a very complex industry, complex regulations, both at the state and federal level. We have 105,000 employees. We have investigations. No fraud. Even though the word gets thrown about loosely, there's been no fraud. We've

identified issues, we've addressed those issues, and when you have a robust compliance program, you're going to find stuff, and that's why we have it.

We want to make sure that we're doing absolutely right by both our federal and state customers and being compliant in the care that we provide, but, if we're not, we want to be able to identify it, fix it, and move on, and, so, that's kind of where we are today, and we're proud of where we are today.

MR. SHEARIN: Thank you, sir. There's also been some testimony, as to whether or not, given the bond rating and the obligations that Tenet has made in other hospitals, that it will not be able to meet its obligation that it's undertaking here.

Can you first confirm for the panel that Tenet can meet its obligation and then respond, as to how?

MR. PILGRIM: Well, first, absolutely we can meet our obligation. Ever since the recession in '08, you've seen some very conservative bond analysts out there, but, you know, you can look at the equity research reports.

Tenet is widely regarded as a hold or buy for the equity analysts. Our performance in the capital

markets this past year has been very good. Our balance sheet is very strong. We do operate with an amount of debt, but not unusual for our peer group in our industry.

MR. SHEARIN: In that same vein, there was commentary about the obligation that you owed to the Detroit system. Can you comment on that criticism?

MR. PILGRIM: We would love to. The Interveners have pointed out in a couple of instances that, you know, we've reneged on capital commitments, we've delayed capital commitments.

That's not an accurate portrayal. They cite the 2012 DMC legacy Board report. In that report, it's identified that we had not adhered to expenditure schedule, however, when you look at what occurred and as articulated in the 2013 report, which wasn't cited, there were several very large projects of the DMC.

If you may recall, the capital commitment there was $850 million; 500 million for construction projects, many of which had already been identified and planning had begun, and then 350 million for routine capital.

Of those construction projects, those that had been identified and planning work had been done, once we owned DMC, we realized that those plans really weren't

optimal, in terms of how we wanted to configure and how the best way to configure those construction projects.

The one, in particular, that comes to mind is the Children's Hospital Michigan Specialty Care Center, which is a six-story, 95,000, 100,000-square-foot ambulatory clinic space for the children.

The DMC did not have very much capital, and, so, their planning and design, when they still owned it, reflected that they didn't have very much capital.

When we got there, we realized that we needed to re-plan that project, which we did. It delayed the initiation of that project.

If you read the 2013 report, you'll find that now our capital spent is not only on schedule, but it's ahead of schedule for the time frame.

Additionally in this report, I'll just go ahead and just talk about indigent and low-income care. We know there have been some concerns raised about, you know, as an investor-owned, you know, we're not going to do our fair share.

Again, the facts don't support that statement. In the 2013 DMC Legacy Board report, quote, "Increased expense and the lack of complaints support the conclusion that the DMC hospitals continue to provide

patient treatment that is consistent with the Charitable Care Policy that was implemented in January 2011 and that this key commitment has been met."

MR. SHEARIN: Thank you. And, also, Mr. Pilgrim, there was reference, particularly in the CHCA's testimony, to Senator Murphy's report and other citations that for-profit hospitals lead to an increase in Medicare costs. Has that been your experience?

MR. PILGRIM: It's not, and we're very familiar with Senator Murphy's letter that came out a couple of months ago, and I think the concept was portrayed that we were cherry picking.

I think, really, when you look at the data that was cited in his assessment, it was a very selective use of the data of the studies, and it was taken out of context, used to characterize, you know, the investor-owned sector in a way that truthfully has been long been discredited.

MedPAC, which is Congress' own advisory body, has repeatedly found that investor-owned hospitals have lower costs per discharge, and then this lower cost structure is what drives the difference in performance.

Probably equally important, the Government Accountability Office, the GAO, and the Congressional

Budget Office both have found very little, if any, difference between not-for-profit and investor-owned hospitals.

And then there's been additional testimony by CMS administrators in the past. Mark McClellan comes to mind, where the quote, "Most studies have found little difference in the community benefits provided by for-profit versus not-for-profit hospitals and where community benefits are defined to be uncompensated care, unprofitable care, provision of non-reimbursable services," etcetera, etcetera.

MR. SHEARIN: Thank you. And my last question for Mr. Wexler, there was testimony by Mr. Fadel, as to the strike that occurred in Massachusetts and how its impact -- the issue with respect to nurse ratios and the performance of the hospital. Can you comment on that testimony, please?

MR. WEXLER: Yeah. Yes. First, we do have ratios at St. Vincent Hospital. They work well, and we strive to have the same ratios, as well, at MetroWest.

The thing I would point you to regarding MetroWest is our quality outcomes, and I would encourage anybody to access Medicare.gov and look at the comparisons of performance at MetroWest against other

hospitals in the Commonwealth and, as well, around the country, and what you'll find is that their quality outcomes are quite superb.

They are at least better or the same as most other hospitals in Massachusetts and around the United States, so I would say ratios are not the most important thing, is that we have quality outcomes for the patients that we serve.

MR. SHEARIN: Nothing further.

HEARING OFFICER HANSTED: Counsel, anything further?

MS. CONNORS: Nothing, thank you.

HEARING OFFICER HANSTED: Okay, thank you, all. And just one point of housekeeping. The late files that were previously ordered will be due by November 2, 2014.

At this point, we'll move on to the public portion of tonight's hearing. Anyone, who wishes to speak, should have written their name on the sign-up sheet provided outside at the table.

We will be calling the names of those, who have signed up to speak, in the order of which they have signed up. I ask everyone to keep your comments to three minutes.

I know that will be difficult, but it's important that we hear from everyone, who wants to speak here tonight.

For those of you, who do not wish to speak, keep in mind, again, that you can submit your comments in writing.

The written comments become incorporated into the record, and anyone, who wishes to submit written comments, will need to do so by October 24, 2014, which is next Friday.

The mailing address to submit those written comments is on the back of the agenda that was provided when you first walked in at the table.

First, we are going to call any public officials that may be present to give their testimony.

MR. ZINN ROWTHORN: We invite Carolyn Treiss from the Permanent Commission on the Status of Women.

MS. CAROLYN TREISS: Good evening. It is evening.

HEARING OFFICER HANSTED: Good evening.

MS. TREISS: My name is Carolyn Treiss, and I'm the Executive Director of the Connecticut Permanent Commission on the Status of Women.

PCSW is a State agency with a statutory mandate to study and improve women's health and safety. We have made women's access to health care one of our priorities and work closely with several organizations and coalitions to further this goal.

In this role, the PCSW has a long history of following hospital mergers and conversions, and we thank you for this opportunity to express our views on the conversion of Waterbury Hospital from a non-profit hospital to a for-profit hospital and its potential impact on the continued provision of women's health care services in the City of Waterbury and surrounding areas.

Like everyone involved in this process, we want to insure that all the residents of this community have unrestricted access to a comprehensive, full-service hospital, so they can obtain the health services they need.

Comprehensive health care for women includes the full range of reproductive health care services. Anything less means that women are being denied high-quality medical care.

Indeed, the current mission of Waterbury Hospital as a non-profit entity is to provide high-quality health care to residents, without restriction,

and it appears that Vanguard Health Systems and Tenet intends to continue this tradition.

We have been assured that existing health services will continue to be provided and any subsequent termination of services will have to be approved through the Certificate of Need process, however, with an ever-changing legislative landscape and statutory amendments, there are no guarantees that the current CON process will be in place in the future.

Therefore, we would like to express some of our concerns and request that any approval of the CON application before you contain explicit conditions regarding women's health services, including those submitted in this testimony.

I'd like to take a quick moment to comment briefly on the governance structure. My comments, I don't believe, are anything that haven't already been more eloquently addressed by others, but I do want to make sure that the PCSW makes note of this point on the record.

According to the CON application, Vanguard will hold an 80 percent -- I keep saying Vanguard. I'm sorry. Will hold an 80 percent ownership interest through the Joint Venture Board and will have oversight

and ultimate authority over hospital affairs.

The Greater Waterbury Health Network will hold a 20 percent ownership interest and through the Foundation will manage charitable assets.

Operating activities will be overseen by a 12-member Board of Trustees, who will be appointed by the Joint Venture Board. Management activities and day-to-day operations will be overseen by VHS Waterbury Management Company, LLC, an affiliate of Vanguard.

It is anticipated that community interests will continue to be addressed by, one, the six members appointed to Greater Waterbury Hospital Network to the 12-member Joint Venture Board, and, two, the 12-member Board of Trustees, who will be physicians and local community leaders appointed by the Joint Venture Board.

In theory, this sounds like fair representation, however, in reality, it gives Vanguard, the 80 percent owner, most of the authority to appoint the leadership that will operate and manage the hospital and, from our perspective, determine which services will be provided to the community in the future.

Now I'll move on to women's health services. In its application, the Applicant indicated that core services include women's health services, and

it has no intention of eliminating services, however, quote, “Any successful business must be nimble and able to adapt to market changes,” end quote.

When pressed to be more specific or identify how long the services will be provided, the previous response was provided repeatedly throughout the CON application.

Furthermore, when asked which clinical services have been eliminated at other Vanguard hospitals, Vanguard indicated that it eliminated services in three hospitals in response to, quote, “changes in market dynamics.”

In those cases, two of the services eliminated were obstetrics. According to the applicants, in one case, the service was eliminated, due to low delivery volume and high cost per delivery, and, in the other, due to low volume and high cost of coverage.

One obstetrics location was transferred to a nearby hospital, and the other was completely eliminated, because, according to Vanguard, the service area was saturated.

Additionally, as you are aware, Tenet Health Care acquired Vanguard and intends to enter into an agreement with St. Mary’s Hospital, which will be

before you tomorrow.

At this point, there appears to be no formal intention of merging Waterbury Hospital and St. Mary's Hospital, however, the PCSW is concerned that cost saving priorities and the need to achieve efficiencies could lead to an eventual consolidation of the two hospitals.

If that occurs, there would have to be consideration of whether or not the Catholic ethical and religious directives would be enforced and thereby restrict reproductive health services for all patients.

Although we believe that Vanguard has the best interests of the women seeking care in Waterbury in mind, the PCSW is not convinced that, at some point in the future, women's health services will not be compromised.

PCSW is concerned about the lack of a detailed description of core services or a plan regarding the continuation of core services in the application.

Therefore, PCSW respectfully requests that the Applicants produce the following additional information prior to approval of any final CON decision.

One, a detailed description of the reproductive health services that are currently provided

at Waterbury Hospital and St. Mary's Hospital, and, two, a more thorough description of any significant changes in services that the Applicant anticipates within the next 10 years.

I'll note that that question or one similar to it has been asked today with not so specific responses, so I'm under no allusions that my asking for it will produce any more specific response, but one can hope.

Furthermore, the PCSW requests that any CON approval explicitly stipulate, one, that in the event of a consolidation of Waterbury Hospital and St. Mary's Hospital at any point in the future, that all reproductive health services currently offered at both hospitals be maintained, in order to preserve the full range of services to the women of the Waterbury area.

Two, that the CON decision and any conditions on its approval be binding on any successor to Vanguard or Tenet Healthcare, and, finally, that the CON decision and all conditions pertaining to the provision of the full range of reproductive health services do not expire.

PCSW urges careful scrutiny of this proposal, so that the health care of patients within the

service area are met and maintained in the future. The public would be ill served if the promise that's now being made to preserve access to comprehensive women's health services at Waterbury Hospital could easily be broken in the future. Thank you very much for your time and for the opportunity to express PCSW's concerns.

HEARING OFFICER HANSTED: Thank you.

MR. ZINN ROWTHORN: Thank you, Carolyn. Can I ask if -- does OHCA have the inventory of currently-offered reproductive women's health services being offered on both hospitals, and, if not, can we have that as a late-filed exhibit?

MS. MARTONE: We have just in totality a service line and not broken down by specific services, no.

MR. ZINN ROWTHORN: Let's have that as a late-filed exhibit.

HEARING OFFICER HANSTED: Okay. That will be Late File No. 7, and it's, again, due on November 2, 2014.

MR. ZINN ROWTHORN: Thank you.

MR. LAZARUS: Kevin DelGobbo from the City of Waterbury Mayor's Office?

MR. KEVIN DelGOBBO: Good evening. My

name is Kevin DelGobbo. I'm the Senior Advisor to Mayor Neil O'Leary of the City of Waterbury, and I'd like to thank the panel for the opportunity to offer these comments here this evening.

As you may know, the Mayor has already entered into the record his letter of support, and I'm here on his behalf and on behalf of the Office of the Mayor to reiterate the support that his office has in this transaction.

To reflect, first of all, in offering that support, like the members of this panel, the community members we're going to hear from tonight and the Interveners and all parties, this is, you know, this is not a decision that's taken lightly.

These are vital institutions in our community, providing critical care, serving vulnerable populations, having implications for the employees, for our economy, for our entire region.

And, so, what I wanted to reflect a little bit was the due diligence that the Mayor undertook in understanding this transaction and not offering his support lightly.

First, is an understanding that the Mayor and the Mayor's office and city leaders have with the

issues that have faced both Waterbury and St. Mary's Hospital in recent years and the health care needs of our region and the fact that this Mayor, previous Mayors and leaders have developed a very strong relationship with the leadership teams and the employees of both institutions.

Very important, in terms of how this has proceeded in understanding what's really reflected the difference between what we might see on paper versus how this might play out.

Both hospitals, as we are all aware, are under increasing financial pressures with decreasing reimbursements and access to capital becoming more difficult.

Both have assumed significant financial obligations. Meanwhile, the health care needs of Greater Waterbury have continued to grow. City leaders, including the Mayor, have been concerned for years about the sustainability of the two hospitals in a city the size of Waterbury, and it's exactly that concern that we felt we needed to look at this transaction very closely.

The risk of losing the ability to serve our population has been at the forefront. Seeing what the alternatives might be has been very concerning to us,

such concerns, not only from a delivery of health care standpoint, but, also, from an economic standpoint.

For years, as two of the city's three largest employers, these hospitals have been dominant economic drivers for the city, and we want that to continue.

And after a lot of evaluation, the Mayor firmly believes that that will continue, the role that these hospitals play in our region's economy.

When learning of this transaction and later St. Mary's, the Mayor undertook, as I said, a significant amount of an evaluation of what's sort of under the hood here, and he wanted to make sure that, regardless of whether this was a for-profit or a not-for-profit entity, Tenet was going to be committed to delivering the highest quality of health care to the citizens of Waterbury and the surrounding towns, including meeting the needs of our Medicare, Medicaid and uninsured patients.

As part of the due diligence that I mentioned earlier, the Mayor traveled to Dallas back in June to meet with the senior management of Tenet to have direct discussions with those leaders to get a greater understanding and assurances about the future of the

hospitals here in Waterbury, the delivery of affordable health care and quality health care to all the residents in our community, and Tenet's expected capital investment in this city, speaking with the officers following that of both Waterbury and St. Mary's Hospitals, who confirmed from their perspective that the affiliation with Tenet was, indeed, in the best interest of both hospitals and the community at large.

The Mayor also traveled, as well as other city leaders, traveled to Worcester, Mass to meet with the regional management of Tenet and to tour St. Vincent Hospital, which had become a member of Tenet Health.

At that meeting, myself and the Mayor and other city leaders were able to witness firsthand the positive impact that Tenet's significant capital investment had in the hospital facility and have the opportunity to speak with a number of the employees, who expressed positive feelings about the hospital's association with Tenet.

As a result, the Mayor was able to offer his strong support, that Tenet is, indeed, the right answer for our community and is well-positioned to address the capital needs of both Waterbury Hospitals. It knows how to operate hospitals efficiently, so that

there are resources available to provide the best care possible.

Its track record of rebuilding similar institutions throughout the United States speaks for itself, and its commitment to invest significant capital to improve the hospitals over the next seven years means that these institutions will be able to maintain their prominence and continue to meet the health care needs of Waterbury citizens for many years to come.

I thank you for this opportunity to offer comment.

HEARING OFFICER HANSTED: Thank you.

MR. LAZARUS: Mr. Bill Quinn?

MR. BILL QUINN: My name is Bill Quinn, and I'm the Director of the City of Waterbury Health Department. I've been the Director for two years now, although I was in New Haven for 21 and interim Director in Bridgeport for two, so I've got a good view of what's happening from a public health perspective, and both New Haven and Bridgeport are wonderful.

When I came into Waterbury, people said, oh, you're in Waterbury now. What's it like? And I said it's incredible. I think Waterbury is flying under the radar, in terms of good public health activity, programs,

the PAL program, and I'm saying this, because the hospitals are really important anchors.

Everybody in this room, I know them, they know me. I can call the presidents of either of the hospitals. I talk to them all the time. It's a very community-oriented situation in Waterbury.

I'll give you a good example. Waterbury PAL program that the Mayor fostered when he was the Chief of Police is nationally recognized. They don't just do activities after school. They're building a ballpark at the North End, picked the toughest neighborhood for a reason. He believes in kids. He believes in education.

The Bridge to Success Program is, again, there are four people, including a Board of Education member, in San Diego right now, because they were nationally recognized.

This is the kind of activity that the hospitals are -- you know, to say they are truly a community hospital isn't really giving them credit.

Some of the things that we did, the most important things, I won't take a lot of your time up, but I think it's important that my responsibility is the health of the population in the City of Waterbury, and there are lots of needs in Waterbury. The Mayor knows

that.

His administration has been absolutely supportive of everything that I'm doing. When I came, they were starting a Needs Assessment, Community Needs Assessment, which we have now finished a year ago this month, and it was a very good program.

The hospitals were at the table every single meeting. Their input was absolutely critical. They're doing public health, as well as medical care. It's population health. It's evidence-based programs that they're doing, so it's hard for me to tell -- for instance, you heard some of it before.

The four areas that the city assistance of New Haven, through a survey, through community informant groups and through community focus groups, picked out were not surprising. Access to care, huge. Mental health, as you heard. Substance abuse. Very, very big.

Obesity, the chronic disease, end of obesity, especially if you're, you know, poor, and smoking. We now have four groups operating. The hospital has a member, both hospitals have leaders from their hospitals on all of those committees that we -- the BTS the hospitals are truly leaders, and we probably are trying to articulate to you that they are truly a

community-centered operation. They send the best people. They deliver, from the administration down to the clinical end of it, the behavioral health end of it, all the tough things.

They're not running away from them, and they've never done that, and they're not going to do it in the future, so I want them to exist in the strongest possible way that they can, because Waterbury is really going to move forward.

We've got a great administration, and I think that, for the hospitals not to have the fiscal support that they need, it's a very difficult fiscal time for medical care. It's changing. We now have Walmart on the scene providing medical services.

We never used to have -- CVS is turning in that direction, so the hospitals have major, major challenges, and, again, I think, if they have the fiscal backing, they're going to be able to do even more, so, again, I support this transaction.

MR. LAZARUS: Thank you, Mr. Quinn. Ms. Lynn Ward?

MS. LYNN WARD: Good evening. I'm Lynn Ward, President and CEO of the Waterbury Regional Chamber of Commerce, which serves 13 towns in the Greater

Waterbury Region and represents the collective interests of nearly 1,000 businesses in matter of public policy and economic development.

The Chamber strongly supports the proposed acquisition of Waterbury Hospital by Tenet Health Care Corporation.

We are proud to partner on numerous economic development efforts in our region, and, in that regard, the proposed acquisition represents a very positive initiative.

Today’s hospitals operate in a continually-changing, highly-competitive environment, recognizing this; the proposal now before us would provide Waterbury Hospital the resources needed to continue its role as a leading local company that serves as the City’s largest, one of the City’s largest employers.

The Chamber’s public policy programming also continually advocates for measures that improve the local quality of life. We’re aware that a strong health care system plays a crucial role in where companies choose to do business.

That Tenet Health Care provider, with an excellent track record of operating state-of-the-art

facilities, would invest in Waterbury Hospital is welcome news in the business community.

This investment would provide resources that insure the facility can continue to deliver the high level of health care needed in Greater Waterbury.

In addition, the Chamber's municipal agenda supports initiatives and programs that expand the commercial segment of Waterbury's Grand List.

Growth in the tax base will have a major impact in making the City more attractive to companies looking to expand or relocate.

Because this proposal will provide a significant increase in local tax revenue, it both directly fosters economic development, as well as the City's ability to attract future economic development.

We strongly encourage you to approve the purchase of Waterbury Hospital by Tenet Healthcare Corporation. Thank you for this opportunity.

HEARING OFFICER HANSTED: Thank you.

MR. ZINN ROWTHORN: Thank you.

MR. LAZARUS: Ms. Nancy Heaton?

MS. NANCY HEATON: Good evening.

HEARING OFFICER HANSTED: Good evening.

MR. ZINN ROWTHORN: Good evening.

MS. HEATON: My name is Nancy Heaton, and I am the CEO of the Foundation for Community Health, which was created 11 years ago as a result of the conversion of Sharon Hospital to a for-profit company.

Our mission is to improve the health, mental health of the residents of our service area, and for those of you, who don't know, our service area mimics Sharon Hospital's, but it includes 17 small world towns, nine of which are in the Northwest corner of Connecticut, the remainder being in New York along the Connecticut border. It's less than 52,000 people.

I wanted to note that, in our Attorney General's decision at the time, he wanted to make sure that there would be no conflict of interest between our organizations, and, so, no member of the former hospital Board, the new Community Advisory Board, the Governing Board, or paid hospital staff may, to this day, serve on our Board.

FCH was also further instructed not to fund anything that might supplant the hospital's responsibility, and we were not, luckily, given the responsibility of taking care of the liabilities, the pension, or the insurance tail at the time, although there were a lot of things to do. I was the founding

Executive Director.

But this clarity has been very helpful in our Foundation's philanthropic growth and development and allowed us to focus on what we want, what we knew we could do, and that would be health, but I wanted to emphasize the separate nature of our work in our shared community.

However, obviously, in order to execute our vision, we need to work in partnership with all the community members, and, from the Foundation's perspective, the communication with the hospital over the years, it started out a little more strong and has gotten more difficult and less frequent in years past, but I would say most significantly since the most recent acquisition by the Regional Health Care Partners.

I'm not really sure, again, why we're separate entities, and we don't really have much overlap, however, what I really came for today was kind of to follow-up on Mr. Quinn, who was there, was to consider some things to put in place for community governance.

Looking back, it would have been helpful for several of these things to be in place. You should also know we're a rural community, so just like Waterbury has its little way of people sharing information, the

rural community things get around, and, so, given the Foundation's history and our active participation in the community, we are active members.

We belong on every network and Board there can be in our community. We hear a lot of things, and there's a lot of anxiety and rumors that go around about the hospital all the time, but we're not equipped to answer any of those questions, and, so, we direct them back to the hospital, but I do think that the Community Advisory Board and the governing Board that were appointed through the decision could probably play a much better role.

And, so, I know that you have a different structure with the joint venture, and that will at least leave them a non-profit with a different kind of Board.

I do have some suggestions for that, in particular, so, first, it's really critically important to define what roles the different committees play. What are the expectations, because people's expectations of participating on those Boards can be frustrating, and people have left some of those Boards feeling that they didn't serve a purpose. These appointments should also represent the community, obviously.

Second, there should be regular

informational and educational opportunities for these members, because many are not familiar with the complex nature of health care, and, so, it needed to be brought up to speed to interact with more sophisticated members of the group.

Third, the hospital and its committees should be more transparent about its work. Currently, you cannot find out who the members of the Advisory Committee are at Sharon, so it would be nice if on the website you could list the members of the community, maybe meeting dates, agendas and minutes, anything that's non-proprietary and is not going to hurt the business, but at least inform the community that they exist and that there's a possibility for them to have a voice through these community members.

This would improve transparency and enhance the opportunities for community education.

My last suggestion is that this Advisory Committee or the Joint Venture Committee, whatever you're calling it here, have one of their main responsibilities to be to conduct the community health assessments and create and monitor the community improvement plans.

As you know, the Affordable Care Act requires non-profit hospitals to complete them, but for-

profit hospitals are not required to.

I believe that having these committees perform this task will result in many benefits. Aside from the fact that the hospital, the state and the local community will have regularly collected population level health data to review and analyze, the Community Advisory Committees will have a strong purpose and better information on which to advise the hospital.

They will also -- this will also relieve the state of potentially being responsible for this work in the areas where there are no longer not-for-profit hospitals, since it may be that it’s a huge portion of the state going forward.

Waterbury Hospital, as mentioned before, did this recently and produced such a report and a plan in collaboration with St. Mary’s and several other local partners and produced a great report and a great plan.

Perhaps the new Advisory Committee could use this document as a place to start, that is assuming that the new hospital venture is interested in sticking to the plan, as currently stated.

In our case, Sharon Hospital chose not to participate in doing a Community Needs Assessment, so our agency recently did so, but found it difficult to get

data from the hospital about anything, and, so, it was declared proprietary, so our research assistant went to the public data sources, and OHCA, and all of the public health data sources to get that information.

In closing, I do believe that participating in these community advisory roles can be meaningful for those involved and better serve the communities if the role includes facilitating and enhancing communication in both directions, not just to advise the new hospital structure, but really to talk to the community and bring back their concerns very directly.

And, so, having this written into your plan I think would more likely make that happen, so thank you.

MR. ZINN ROWTHORN: Thank you very much.

HEARING OFFICER HANSTED: Thank you.

MR. LAZARUS: Ms. Blair Bertaccini? Oh, Mister. Sorry.

MR. BLAIR BERTACCINI: Good evening. My name is Blair Bertaccini. I'm a resident of Waterbury, and I'm a member of Community United, which is a labor community coalition concerned about health care in our region.

I'm also President of AFSCME Local 269, a statewide Union local, representing workers at the Connecticut Department of Labor, which many of our members live in this region, which is also why we're concerned about it.

When considering granting a Certificate of Need to Tenet Corporation to buy Waterbury Hospital and convert it to a for-profit entity, it is very important to consider what is currently required of non-profit hospitals and what will be required of them in the future under the ACA and what will not be required of Tenet if conditions are not put on this transaction.

Non-profit hospitals under IRS standards must do a certain amount of reporting on their operations, particularly through the IRS 990 Form, and they must have a community Board from the local area.

A lot of this will not be required of Tenet if this transaction goes through without certain conditions being put on them and having written requirements or a written community benefits agreement.

Tenet is in business to make money. They're not in business to provide health care, and that's what scares me about this whole transaction.

I know we've been told repeatedly that

there's no alternative, but I really wonder if other alternatives weren't seriously examined or gone into.

They've made a lot of non-binding promises that I've heard both at the State Legislature and here to get approval of this purchase, but, above all, making money is the first for them. Health care is a second.

If you don't put conditions on this acquisition, I think we'll be confronted with a hospital that will not be truly interested in this community. It will be run from Texas, and it will not be -- we may not get the high quality health care that the members of our community deserve.

I think it is also necessary to have a certain amount of financial transparency and transparency on other matters, which were just mentioned by the previous speaker.

So I think it's most important that this be done if this transaction is going to be approved. I think it's also important -- the other important thing about providing quality medical care is how a facility is staffed.

In order to insure that Tenet does not increase its profits by decreasing its staffing or by lowering numbers of the employees or by a reduction of

the qualifications required of them, it should be required to have a staffing plan that would include a description of any unit or group of employees that they plan to eliminate or reduce and why, and if such a change would reduce services, they shouldn't be allowed to go forward with it.

They should be required to report in a detailed manner the amount of uncompensated and charity care, and they should also disclose their capital budgets and how they intend to do that. We've heard some testimony about that, but I don't think it was really clear.

We also believe that they should provide funds to be determined by the Commissioner of Health to hire an independent health care access monitor for the new entity, who would work with the community Board chosen by the Office of Health Care Access.

I think they've also mentioned about the payment of taxes, and other speakers have mentioned that, but, certainly, I think, when you get a dominant player like Tenet in any area, whatever kind of corporation it is, often the first thing they do is ask for a tax abatement at some point, so I'm not so sure that it's really going to be that beneficial to our community, in

terms of paying taxes, considering that we do get pilot payments for these two hospitals.

So I would urge you to require a certain amount of transparency on the part of Tenet and to put in writing a lot broader community of benefits than just the narrow type of community benefit that they are speaking of. Thank you very much.

HEARING OFFICER HANSTED: Thank you.

MR. ZINN ROWTHORN: Thank you.

MR. LAZARUS: Graham Jones?

MR. GRAHAM JONES: Good evening. My name is Graham Jones. I work in Waterbury Hospital in Security and Human Resources. I've been there for about three and a half years.

Prior to that, I was a software trainer for 27 years. I'm a financial trade floor system designer. When I decided to get out of that, a friend told me get into health care. It doesn't matter what you do. Get into health care. There's the feeling that you'll get moving somebody along from the time they step into the door to the time they leave can cause you a very good night's sleep.

It doesn't matter what you're doing. You're going to be moving people forward incrementally,

and that's what I get to do. I'm blessed with the position that I can see people when they're coming in and when they're leaving. I get to see the people when they're on the floor, and the people, when they're on the floor, when they're in those beds, they don't care about anything that's being talked about here.

They care about the nurse, they care about the doctor, and they care about the PCA that they've interacted with, and those nurses and those doctors and those aides, regardless of what pressures they're under, consistently are delivering top-shelf products to these people.

It's not uncommon to see someone come back to the hospital after a few weeks' recovery time and they've got gifts for people on the floor. That happens all the time. They're not coming back, saying, oh, gee, I got lucky, you know? I got both my legs when I left. They're coming back, because of the care that they received.

We see people coming in on their off hours, because a patient said, gee, I really like Canada Dry Ginger Ale versus maybe Schweppes, or whatever it is that the hospital has, and they're bringing it in for them.

These are people, who consistently work for the patient, and, regardless of what's happening in these talks tonight, they're always going to consider the patient number one, and I get to see that.

There's a lot of people, who don't get to see that, which is unfortunate. Even though their jobs are also pushing the patient closer and closer to a full recovery out the door, whether it's a cleaner room, a warmer meal, or a safer environment, I guess that it's going to happen.

These people that I work with, that I've been gifted and blessed to work with, are always going to do that.

I'd really like to see this transaction go through. We need the cash infusion, obviously, that people have been talking about. Waterbury Hospital has been doing this business for over 100 years. We'd like to see it do the same way for another 100 years.

The generations that come in we've seen people, oh, gee, my kid, my child is having a baby right now on your third floor, you know, the grandmother is up on the seventh floor getting a knee replacement, and someone else in their family is in there, too.

They come back to Waterbury Hospital for a

specific reason, and it's the people. It's not who is going to buy us out. It's for the people. Thank you.

MR. ZINN ROWTHORN: I see Paul Pernerewski from the Board of Alderman. Were you signed up to speak?

MR. PAUL PERNEREWSKI: Yes.

MR. ZINN ROWTHORN: Come on forward, Paul.

MR. PERNEREWSKI: Good evening, and thank you for the opportunity to address you this evening. I think that Kevin DelGobbo, Bill Quinn and Lynn Ward did a very good job of presenting the City's position, and I would just like to reiterate that.

The concerns that we have are with the sustainability of the hospitals and how important they are to the City of Waterbury, both for the health care that they provide, for the employment that they provide, and for the important part of the community that they are.

And I think that we need to address and understand the concerns that are raised by the Interveners, but I think, at the end of the day, when you weigh out all of that together, the benefits that we're going to get and the concerns that we have, if something isn't done with these hospitals, that we're going to end up losing them, that it weighs in favor of approving

this, so I would encourage you to approve it, and, again, thank you for your time this evening.

MR. ZINN ROWTHORN: Thank you, Paul.

HEARING OFFICER HANSTED: Thank you.

MR. LAZARUS: Bishop Lionel French? Liz Brown? James Monroe? Ann Marie Garrison?

MS. ANN MARIE GARRISON: Good evening.

HEARING OFFICER HANSTED: Good evening.

MR. ZINN ROWTHORN: Good evening.

MS. GARRISON: My name is Ann Marie Garrison, and I am a Registered Nurse, and I am the President and Administrator of VNA Health at Home, located in Watertown, Connecticut.

Our organization has been affiliated with the Greater Waterbury Health Network since 1996 and has been providing quality home health care services to Waterbury in 16 surrounding towns for 75 years.

In attestation to the Greater Waterbury Health Network’s commitment to quality and customer satisfaction, I am proud to share that our organization is the recipient of two national awards; Home Care Elite, presented by OCS Home Care, a national benchmarking firm, which placed our organization in the Top 25 percent of Medicare-certified home health care providers nationally

for quality excellence, and the Top 25 Patient Satisfaction Award of Distinction, presented by Fazzi Associates, also a national benchmarking firm, in recognition of our commitment to outstanding patient satisfaction.

I am here this evening in support of this joint venture not only as a nurse leader in this community, but, also, as a former Waterbury resident, whose connection with Waterbury Hospital and the Greater Waterbury Health Network spans over 23 years.

I started my career path at Waterbury Hospital when I was in high school working as a volunteer, and then as a student nurse in Waterbury Hospital Summer Nursing Student Program the year before I graduated college.

My first job as an RN was here at Waterbury Hospital, and I spent five years on the nightshift, caring for patients, ranging from newborns to geriatrics.

I left Waterbury Hospital and worked outside the network for about 10 years, and, during that 10-year period, I worked for a for-profit home health care organization in Connecticut.

In 1998, I returned to this organization

and had been working at VNA Health at Home in a leadership position for the past 16 years. I have seen no difference in the quality of care provided when I worked in the for-profit arena to the work performed here in the non-profit arena.

I strongly believe that this joint venture will strengthen the health care system in Waterbury and will afford Waterbury Hospital and its affiliate companies the necessary resources to enhance patient care services to this community while maintaining a continued focus on the provision of high-quality health care.

Thank you for the opportunity to share my comments.

HEARING OFFICER HANSTED: Thank you.

MR. ZINN ROWTHORN: Thank you.

MR. LAZARUS: James Gatlang?

MR. JAMES GATLANG: Good evening.

HEARING OFFICER HANSTED: Good evening, sir.

MR. ZINN ROWTHORN: Good evening.

MR. GATLANG: My name is James Gatlang. I'm the President and CEO of New Opportunities, and I'm also a member of the Waterbury Hospital Board of Trustees, and I know firsthand from being a member of the

Finance Committee of the challenges facing the hospital.

For those of you, who aren't familiar with New Opportunities, I'd like to spend a moment telling you about our organization. New Opportunities started over 50 years ago as a result of President Lyndon Baines Johnson's war on poverty.

We operate 50 different programs in the Greater Torrington, Waterbury, and the Greater Meriden area. Last year, 65,000 people were assisted, due to 50 programs we operate to improve their quality of life.

This means that one in seven households in our 27-town service area receives some type of benefit from our services, ranging from early childhood education, Meals on Wheels, home energy conservation, job training and placement, to family development services.

In addition, we employ 450 people, so we are considered a major stakeholder in this community. We are very much in tune with the wide range of needs in our community, particularly those who are most vulnerable; low income and elderly residents, those, who are medically-frail, and those, who have children.

I have seen the vital role that health care plays in everyone's lives; individuals, families, companies, and the community as a whole.

I believe that it is essential that every individual in this community has access to high-quality health care. It contributes not only to our health, but to the quality of life and the economy in the region.

Waterbury Hospital continually strives to provide access to quality health care for all in the Greater Waterbury region and have been doing a tremendous job, in spite of very limited resources.

Waterbury Hospital does so much more than care for people, who are sick. The hospital is woven into the fabric of this community, helping to improve health care and quality of life of our residents.

You will find Waterbury Hospital at virtually every community event, usually playing an active role in helping people access care or teaching them how to take care of their health, but, due to rapid and accelerating change in today’s health care environment, marked by a reform, significant financial challenges and pressures and changes in health care delivery, it makes it difficult, if not impossible, for a standalone hospital to survive.

This is a situation that Waterbury Hospital finds itself in today, however, the hospital administrators and the Board of Directors have been

planning for these changing times.

We knew we needed a strong and strategic and capital partner, and, after much due diligence, we selected Tenet Health Care as our partner, and I want to stress that we selected Tenet.

I do believe that Tenet and its hospitals have a strong commitment to the community and will work closely with all of our community organizations to keep fulfilling the central role that Waterbury Hospital plays in our community and in our lives.

Without Tenet, Waterbury Hospital will continue to struggle, and we will have to face some hard choices and some hard decisions, which may not be in the best interest our community.

I strongly support the joint venture between Waterbury Hospital and Tenet Healthcare. It will bring tremendous benefits to our community. Thank you for listening.

HEARING OFFICER HANSTED: Thank you.

MR. ZINN ROWTHORN: Thank you.

MR. LAZARUS: Beth Grant?

MS. BETH GRANT: Hello and thank you for having me here. My name is Beth Grant. I work at Waterbury Hospital, Cardiopulmonary --

MR. LAZARUS: Microphone, please.

MS. GRANT: let's try that again. Hi. My name is Beth Grant. I work at Waterbury Hospital in the Cardiopulmonary Rehab Department, I think one of the best places to work in the hospital. We have an opportunity to see patients come in after seeing their cardiologist and having potentially life-changing events, and we get to bring them in and help make them stronger and competent.

I have to say that not only do I strongly support the Tenet merger with us, but, without them -- I mean, right now, we give great care at Waterbury Hospital. Our patients are our family, and that's the one thing that I want everyone to realize, that they've always been family.

I look at them, and it's good morning, sweets, and love you when they go, and we hug, and we snuggle, and that's how the Waterbury Hospital community is. All of us are like that.

I've been here for 29 years. I'm an old lady now, with grandchildren and children that live far away. I am, indeed, but I need you to know that our family is what makes Waterbury Hospital strong, and the Tenet family has done nothing but show us that they are

there to support us.

A person earlier stated something that said that they were not here for the health care, but they were here for the financial aspect. I absolutely strongly disagree with that.

They are here for us. They are here to make our hospital stronger. With their financial support, we will be able to bring in state-of-the-art equipment, start programs, and continue with programs that will make a better place for our patients.

We are a patient-centered hospital. We care for our patients. We care for their families. It's what we always strive for. It's what we will continue to strive for, and we know that, with Tenet's help, we can be the greatest hospital.

I mean this sincerely, with all of my heart. I know that my Waterbury Hospital colleagues and family agree with that, whether they are nurses, technicians, no matter where they work.

We are in support of this merger with Tenet, and we just need you to know that and hope that you know that, with my strongest feelings, in my heart, from my cardiology department, we know that this is the best thing for the Waterbury community and for all us of.

Thank you very much.

HEARING OFFICER HANSTED: Thank you.

(APPLAUSE)

MR. LAZARUS: Nick Coscia? Garnet Dolphy? Melody Peters? Susan Manzolino?

MS. SUSAN MANZOLINO: Hello. My name is Sue Manzolino. I'm a nurse manager at Waterbury Hospital for the past 14 years.

HEARING OFFICER HANSTED: Hello.

MS. MANZOLINO: What impresses me most about Waterbury Hospital is our dedicated staff, who always go about putting our patients first. No matter what's going on, our patients come first.

Even with the challenges facing health care today, we continue to provide outstanding care to our patients. This is evidenced by the many awards we have received over the past year for quality and service.

Although we don't have access to capital funds to purchase state-of-the-art equipment, the care we provide to our patients is second to none.

Just last week, our skin care team conducted a hospital-wide prevalence study to determine the number of hospital-acquired pressure ulcers. I'm proud to report we had none.

This was not due to having the best beds and mattresses available. It was due to the care provided by our nursing staff. Imagine what we could do to better serve our patients and community with the resources of Tenet Healthcare.

We have the opportunity to allow our community to receive the finest health care possible while remaining close to home. That is why I support the Tenet transaction.

It is essential for making sure our patients have the most advanced medical care available here at Waterbury Hospital.

I know the majority of the nurses I work with are supportive, as well. We see great potential in this partnership and would respectfully encourage your approval. Thank you.

HEARING OFFICER HANSTED: Thank you.

MR. ZINN ROWTHORN: Thank you.

MR. LAZARUS: Cynthia Tun?

MS. CYNTHIA TUN: Good evening.

HEARING OFFICER HANSTED: Good evening.

MR. ZINN ROWTHORN: Good evening.

MS. TUN: I've been listening to all the things going on here, all the conversation, most of the

afternoon. It's been very interesting and enlightening. I've learned so much. I really didn't know that much.

I'm a homeowner and a business owner in Watertown, Connecticut. I'm not a nurse. I'm a retired teacher. I have received excellent care at Waterbury Hospital. I've been there a number of times. It's a wonderful place to go.

I have a friend currently being treated for cancer there and at the other operation that's really close by that I can't remember the name of.

A MALE VOICE: Harold Leever.

MS. TUN: Yeah, that's it. Thank you. She's getting excellent care. I have a friend, who was diagnosed with Stage 4 cancer, and she received excellent care up until her death, and the Charity Fund fully paid for her care.

She would not have received that care without the Charity Fund, so, as a result of that, I have put into my personal will that part of my trust would be guaranteed to the Charity Fund at Waterbury Hospital, because of what they did for my friend, Debbie.

I was really unaware of what was going on. I'm not well-versed in everything that has been discussed at the Board meetings for Waterbury Hospital.

I have not had the opportunity to look at all of the paperwork and all of the letters and everything else that has been exchanged between all of the people here.

I certainly have not been in attendance at any Board meetings, yet I still rise to strongly oppose the acquisition of Waterbury Hospital by Tenet, and there are a number of reasons why I do this.

First of all, all I see here is money. All I've heard all day is money. All I have to do is look here and see money. The money is because all these men have come from Texas and a few women, okay, and they must see the value of our hospital here, and that value is true.

I'm actually an import into Connecticut. I moved here 10 years ago. I'm one of those real rarities of people, who actually move here instead of leaving, and one of the reasons I stay here is because of Waterbury Hospital. It's a great place to go, and I see that the value of it is very high, also, to other people.

So I want to draw your attention to a couple of things that I haven't really heard too much about today, and I really used my cell phone to do as much research as I could in the few short hours that I

had here.

First of all, this is Connecticut. It's not Texas, okay? The decisions for a community and the community health care need to be made by the people in Connecticut, not in Texas.

Certainly, you would have a Board, you would have people, who were making decisions here, but we all know, if we've been in the private sector at all, that decisions about who goes on a Board is not made simply because somebody is wearing a nice dress, or somebody is wearing a good suit. It's based on who you know, who you're stroking, etcetera, so, really, it's not about what is best for the community. It's about what's best for the profitability of the corporation.

For instance, if we look at Texas, Texas, where Tenet is located, and they also own hospitals in Houston and in Dallas, Texas currently has an F rating in public care and public health care access. This is according to the Association of Emergency Room Physicians.

Connecticut has a C rating. One of the reasons for this is because of the way that money is spent in the hospitals, okay?

How much staffing is available? How many

nurses are available? These are the questions that I'm not hearing answered. That's number one.

Number two, we're talking about life and death. We're not talking about profits. We're not talking about how much the CEO is making. We need to think about the people on the street here, who need health care. We don't need to think about the investors, who are going to go and look at the stock market and decide whether or not they want to trade in Tenet.

Now, certainly, I play the stock market. I invest. I'm an investor, but I would never consider investing in health care. I personally believe that making a profit out of health care is immoral.

I think that we need to consider the morality of bringing in a for-profit health care organization that looks to make money off of the illness and the death and the suffering of others, because isn't that what it's really all about?

What are we looking to do here? Are we looking to take care of our people, or are we looking to make money for a large corporation based in Dallas, Texas?

HEARING OFFICER HANSTED: Ms. Tun?

MS. TUN: Thank you. Yes?

HEARING OFFICER HANSTED: Thank you. I was just going to ask you to wrap up.

MS. TUN: I know. I can talk for another half hour. Sorry.

HEARING OFFICER HANSTED: Okay.

MS. TUN: Thank you very much for the opportunity.

HEARING OFFICER HANSTED: Thank you.

MR. ZINN ROWTHORN: Thank you.

MS. MARTONE: Thank you.

MR. LAZARUS: Bill Pizzuto?

MR. BILL PIZZUTO: Good evening.

HEARING OFFICER HANSTED: Good evening.

MR. ZINN ROWTHORN: Good evening.

MS. MARTONE: Good evening.

MR. PIZZUTO: For the record, my name is William Pizzuto. I live at 107 Forest Avenue here in Waterbury, Connecticut.

Just to give you my background very quickly, I've been a member of the Waterbury Hospital Board for the past eight years. I received my Ph.D. from the University of Connecticut in 1999, and I've worked for the University for the past 14 years as the Director of the Waterbury and the Torrington campuses, overseeing

the faculty, staff and students.

I've been a Waterbury resident for over 50 years. I've served as an Alderman for the City under four different Mayors. I'm currently a Police Commissioner for the City. I'm the Director of the Regional Workforce Investment Board, which oversees all the workforce from Danbury to Torrington. I am a Director, not the Director, and I'm also Director on the Chamber of Commerce.

I want to thank the Attorney General and the Office of Health Care Access for the time and consideration that they've given us today to the Waterbury Hospital/Tenet Healthcare transaction.

With respect to the significance of Waterbury Hospital, as it relates to the health, quality of life and economic well-being of our community, I offer the following comments.

One of the most important quality of life and economic development tools that any committee in any community can have is access to quality health care and an educated workforce.

Quality health care requires the latest and greatest in technology, highly-trained and skilled physicians, nurses and staff members and institutions

that supply higher education to meet the ever-changing demands of the health field.

Over the many years, the hospital has provided a training ground for my students to gain clinical experience by shadowing doctors and utilizing otherwise inaccessible equipment for hands-on experience. This equipment is tremendously expensive and goes from state-of-the-art to old technology in just a few years.

It takes a partnership with folks like Tenet to help with the tremendous cost of training, education, equipment and access to the talented docs and nurses.

Waterbury Hospital is the nucleus of these activities for everyone in our community. One of the largest employers in the city and the surrounding catchment areas are the hospitals.

In order to supply the trained workforce and resources to meet the needs of our growing community and to supply the sorely-needed employment opportunities, as well, we need to combine talents, resources, equipment and energy that this partnership would bring forth.

I have personally witnessed a commitment of the hospital doctors, the nurses and the employees over my eight years as a hospital Board member. These

folks are the most dedicated workers, who I am proud to say that I have ever been affiliated with.

They are compassionate, intelligent and strong-willed individuals, who fight every day to help with health care issues. As a Board, we have spent countless hours determining the best solutions to insure that our community continues to have access to these highly-qualified health care professionals and to insure that access is provided for generations to come.

Please note that the Board has done its due diligence, and for the sake of the health and quality of life for the Greater Waterbury region, I ask that you please move this transaction forward with an approval of the Certificate of Need Conversion application. Thank you very much.

HEARING OFFICER HANSTED: Thank you.

MR. ZINN ROWTHORN: Thank you.

MR. LAZARUS: Tammy Peterson?

MS. TAMMY PETERSON: Good evening.

HEARING OFFICER HANSTED: Good evening.

MR. ZINN ROWTHORN: Good evening.

MS. PETERSON: My name is Tammy Peterson.

HEARING OFFICER HANSTED: Just pick up the microphone, please. Thank you.

MS. PETERSON: Okay. My name is Tammy Peterson. I'm the Wound Ostomy Care Coordinator for Waterbury Hospital.

I've probably worked here since starting as a student aide back in 2006. That is not a typo. And my nursing career in 2008. I grew up in the Waterbury community and have spent the majority of my working days in this area.

I have affiliations with the Waterbury school district, as well as St. Mary's. I volunteer in the community and donate back into the community, despite a 25-minute ride or 15-mile separation.

It is with excitement that we await the joint venture between Tenet Healthcare and Waterbury Hospital and its affiliates.

Over the past couple of years, we have witnessed, I have personally witnessed, many positive changes, this coming about during some of the hardest economic times for our country and our families that we've seen in decades.

I see there's a need for these types of marriages forming in the health care industry for financial stability.

One strong positive I see is the

collaboration and availability of more experts. We already have some of the best health care staff around, with our doctors, nurses, support staffs and advisors. I only see this continuing to grow.

This is where I watched a doctor save my sister's life at 40, suffering a stroke, giving her a clot busting medication and Life Starring her off to Hartford Hospital, knowing that that's where they could go in and get this clot if they needed to. I still continue to send my friends and family there, as needed.

I urge you to support this process and expedite this already painfully lengthy process in an effort to help us get onto a brighter financial path.

This will allow us to continue with our current goals, improving customer service, because you all know that everyone has a choice of where they go to be treated, shortening length of stays, educating our patients, so they can truly understand their diagnoses and treatment plans.

Much of this is dictated by our insurance company's Medicare and Medicaid. They tell us how long this patient can stay in our facility.

We may not have an extensive amount of time with our patients, so we must maximize the time we

do have by accomplishing all of this.

I see the completion of this process as a rebirth of sorts. There will be changes. Waterbury will be under a microscope, as we are going to be pioneers in Connecticut for this non-profit to profit status change, but it is not necessarily a bad thing, not if we are taking care of business properly.

We need to move forward. We have patients to take care of. Thank you.

HEARING OFFICER HANSTED: Thank you.

MR. LAZARUS: Laura Nesta?

MS. LAURA NESTA: Good evening. I just want to take a couple of minutes and share a little bit about myself.

My name is Laura Nesta. I am a social worker by trade, and I am a proud Waterbury Hospital employee. I have worked here since 1990, shortly after my husband, who is a life-long resident, imported me into the city and, you know, insisted that I become part of the fabric and the blood here.

I figured I'd be gone after a year or two, but, 24 years later, I'm still happy and proud to be here.

I do want to appreciate this process,

because I do know that the Department of Public Health has a number of overarching responsibilities, in terms of health care, and I want to thank you for being here, because I know that this is a big decision, both for the Waterbury community and your office, as well as the Office of the Attorney General, and the oversight is important, and it's important for the patients and important for the community, but I do want to talk a little bit about my work at the hospital.

So I was hired pretty much out of graduate school, and I work with the mentally ill and substance abusing population, and people have talked here a lot about finances, and our Chief Financial Officer keeps trying to teach us about finances, but, frankly, it's not my world, but I do know it's important.

What I can talk with you about is there is a segment of this population, which is very fragile, and there's a huge need, particularly in Waterbury, which has its own socioeconomic problems.

Waterbury hospital has been very committed and continues to be committed to the mentally ill. In addition to my work as an administrator, I also work as a social worker.

I work directly with patients in the

Emergency Department, so I see individuals, who are really struggling with life or death issues, and I think that that needs to be taken into account.

And the finances are important, and the legal stuff is important, and I get all that, and I know we need to go forward, but we need to be aware of the commitment that the hospital has made and I believe continues to make with Waterbury Hospital.

We have a CEO, Darlene Strumstad, who I know has spent hours and hours working on our behalf, and, frankly, we talk about in health care that if you didn't write it down, it didn't happen, and I can say that her commitment, both to the employees and the patients, has been steadfast.

She's clearly walked the walk with us. She's had conversations with our staff. She's had conversations with our patients. We've worked with the State of Connecticut, the Department of Mental Health, to really assure people of our commitment to the population.

So I just want to share that that is more than just paper to me, and it's more than the finances and the important stuff that happens, but I believe the commitments here.

And I was proud to say we did have a

representative here from Tenet Healthcare Behavior Health to really look at our Department, because the need is growing, and the financial challenges are getting better, either for the community or for our patients, and they really have shared with us their commitment to continuing our programs, but also seeing that there's the opportunity to grow, and, as a social worker and a therapist, I think we do have opportunities to expand here.

Just in another hat, as well as being a Waterbury resident, I've been a member of different community groups here in Waterbury, and the community is truly behind the access to health care and in support of the Tenet transaction, and I do want to share with that particularly the people, who came here today, and those, who can't, who are going to watch this on video.

So I just want to share with that that I believe the commitment is here to health care. We need money. I mean we need capital resources. Our staff is great, our patient care is great, but we need to upgrade our structure, we need to upgrade our technology, and with government reimbursement, it's just not enough.

And for us to be there, what we need to do to take care of our patients, this partnership with Tenet

Healthcare is vitally important, both to the community and to Waterbury Hospital.

So I appreciate the time and look forward to working together. Thank you.

HEARING OFFICER HANSTED: Thank you.

MR. ZINN ROWTHORN: Thank you.

MR. LAZARUS: Maura Nazario?

MS. MAURA NAZARIO: Good evening.

HEARING OFFICER HANSTED: Good evening.

MR. ZINN ROWTHORN: Good evening.

MS. NAZARIO: My name is Maura Nazario. I'm an Emergency Room nurse at Waterbury Hospital.

I've worked at the hospital for six years, and I really do love my job. It's not only fulfilling, but rewarding, and, as you can imagine, which comes with the territory, it's stressful.

We work very hard as a team in the ER and with our colleagues throughout the entire hospital to meet the needs of all of our patients and their families.

The patients we take care of are from very vulnerable populations, who often lack even the most basic resources that we take for granted, but, as the hospital resources have gotten tighter, because of the challenging financial times, it gets harder for us to

give the patients everything that they deserve.

Our ER is crowded and outdated, we still do great care, though, and it needs renovations. Our equipment is old and often breaks down, but we do what we can, but we know that the investment is needed.

The investment might make our jobs a little less stressful and our patients' experiences that much better. That's why I'm supporting the joint venture with Tenet, and I'd like to note that there are many other RNs, who cannot be here today, like myself, that full support this transaction.

For those of us on the front lines every day, we know that the investment and expertise that Tenet brings to our hospital and our community will benefit our staff, the hospital, and the community.

I hate to think what will happen to our hospital and all of our jobs, frankly, if this transaction with Tenet does not move forward.

I urge you to improve this joint venture, so we can strengthen our ability to care for those who need most.

On a personal note, I want to say I choose Waterbury Hospital as my hospital for my entire family and my 109 nieces and nephews, legitimately, in the

Greater Waterbury area, not because I work -- my husband is the youngest of 10. Not my family. Not because I work there, but the care that we provide and the medicine that we provide from many of these doctors and nurses and techs and radiologists and so forth is exceptional.

Thank you for your time.

HEARING OFFICER HANSTED: Thank you.

MR. ZINN ROWTHORN: Thank you.

(APPLAUSE)

MR. LAZARUS: Ermelinda? I won't even try your last name.

MS. ERMELINDA BYLYKBASHI: Good evening.

HEARING OFFICER HANSTED: Good evening.

MR. ZINN ROWTHORN: Good evening.

MS. BYLYKBASHI: My name is Ermelinda Bylykbashi. I have worked in Environmental Services at Waterbury Hospital at the last 15 years. Currently, I work the Harold Leever campus, the subcontractor to Waterbury Hospital, but I work at the hospital just like any employee.

I love this hospital and my co-workers. All the people here are awesome, but I've seen how the hospital is struggling. I have also seen what Tenet can do to help the hospital.

I was one of the staff members, who went to St. Vincent Hospital last year. The hospital was beautiful. I heard nothing but good things from the staff there.

It showed me that, with Tenet, we will be able to provide better services for our patients. They will help us update our equipment and allow us to grow for our children and grandchildren.

I urge you to approve the Waterbury Hospital Tenet Healthcare transaction. Thank you for listening to me.

HEARING OFFICER HANSTED: Thank you.

MR. ZINN ROWTHORN: Thank you.

(APPLAUSE)

MR. LAZARUS: Neil Culhane?

MR. NEIL CULHANE: How are you doing? I'm Neil Culhane. For the record, I'm the Chaplain at the Waterbury Hospital. I've got good news for you. The evening is almost done for you, okay, because I see MEGOs up here. Do you know what MEGOs are? Many Eyes Glazing Over, so there you go.

(LAUGHTER)

Remember that, Darlene, when you have one of us. A lot of MEGOs out there. Anyway, so, look. I

was a teacher for 45 years. I retired after 45 years, and then took this job at Waterbury Hospital, and many of my friends said, Neil, why do you have to work?

I says I don't have to. I get to. I get to work at Waterbury Hospital. Think of that for yourself, what you do. Do you have to do the work that you're doing, or do you say I get to? There's a qualitative difference between that.

Every Monday morning, I put a sign out of my office there, TGIM. Thank God it's Monday. Do you do that? Sure, you do.

So, anyway, look. So I get to, and I see these people here, who are working, too, you know? The doctors, the nurses, the aides, the tech people, the housekeeping, the food service. They love working at Waterbury Hospital, and that's because they care. They really care, and that's what we are all about.

Now a lot of people are talking and throwing out numbers to you and giving a whole a lot of things, and we're talking we care, we love our patients, but I'm going to give you some facts, some statistics, all right?

We get about probably 5,000 inpatients every year. I see, personally, between 70 and 80 percent

of those people every year. I've been at this hospital for two and half years now, so I've seen roughly about 7,000 people. Personally, I've seen them, and when I ask them about the care and how they like it here, they all, but five people out of 7,000, have said, you know, they love it here.

Now there's one person out of that five. I think if we resurrected Mother Teresa, she couldn't have taken care of him either, so I'm going to discount him anyways. (Laughter)

But, nonetheless, we also have 50,000 patient encounters in the ED Department, the Emergency Department. We don't refuse people. We don't deny care. Everybody comes in, and that's an important thing, and that's still going to go on, because the bottom line, the bottom line for a lot institutions is the buck, it's the dollar.

For schools, it's going to be performances, what colleges, what are the test scores for other institutions? It's the sales. It's the hires. It's the successes for athletic teams. It's the wins. That's the bottom line.

Our bottom line, our bottom line is we care about people, we really do, and I've given you

statistics to prove that. We care.

This joint venture with Tenet is only going to reinforce that, because they, too, care about them. They're coming in to say we can help you with that care, so I urge you to pass this joint venture.

Thanks very much, and have a good night tonight, okay?

HEARING OFFICER HANSTED: Thank you.

MR. ZINN ROWTHORN: Thank you.

(APPLAUSE)

MR. LAZARUS: Brenda Fuller?

MS. BRENDA FULLER: Good evening. Thank you for your time.

HEARING OFFICER HANSTED: Good evening.

MS. FULLER: I've had the blessing, I guess, I've been blessed to understand health care from different perspectives. In my former life, I was a business reporter, and I covered Waterbury Hospital for the Republican American, and I understood all the financials, I went to the Board meetings, and I understood how uncompensated care was drastically being reduced and hospitals were struggling. Waterbury Hospital was struggling.

Then I decided to change careers, and I

ended up working for Waterbury Hospital, and I've been there 12 years, and I work with wonderful nurses and doctors and aides and environmental people, who truly put compassion before cash, and they spend their time, they're empathetic, and they really want their patients to have a good experience, and even at the end of life, they want to give them some sense of comfort.

And now, five years ago next month, my husband was one of the unfortunate people to have the Swine Flu, and, so, he has been a frequent visitor to Waterbury Hospital, and Dr. Sherter is one of his wonderful doctors.

I would have to say Waterbury Hospital has saved my husband's life. Even though he did have a preexisting lung condition, the Swine Flu made my husband go on oxygen full-time.

I love Waterbury Hospital for what it's done for my husband, for my family, and for the neighborhood. As a taxpayer, I live in the Robinwood neighborhood. Waterbury Hospital is a mainstay for the middle class, for our jobs and as a tax-base, you know, because we pay taxes to the city. I pay almost $6,000 in property taxes.

If Waterbury Hospital closed, my house,

the value of my house would fall, so I support the merger, especially if it keeps Waterbury Hospital open, it keeps its people employed, and it keeps providing care for the indigent people of Waterbury and for the middle class. Thank you for your time.

HEARING OFFICER HANSTED: Thank you.

MR. ZINN ROWTHORN: Thank you.

(APPLAUSE)

MR. LAZARUS: Kimberly? I'm sorry. I can't make out your last name.

MS. KIMBERLY LUMIA: Good evening.

HEARING OFFICER HANSTED: Good evening.

MR. ZINN ROWTHORN: Good evening.

MS. LUMIA: Thank you for allowing me to speak this evening. My name is Kimberly Lumia, and I'm a community member. I actually live in Wolcott, Connecticut, and Wolcott is one of the towns that is served by Waterbury Hospital.

I have two children, ages 11 and 12, and, often, with 11 and 12 year olds, you have to go to the hospital quite often, and, so, I am excited that Waterbury Hospital is right around the corner.

I have been a nurse for the past 14 years. I am of Hispanic dissent, and, so, I understand the needs

of a very diverse population, and I am very excited and supportive of this joint venture with Waterbury Hospital and Tenet.

I'm excited for the hospital for all the patients they serve, including my own family and friends. As the CEO and President of Sharon Hospital, I understand the dynamic state of health care probably better than anybody else does. Thank you.

HEARING OFFICER HANSTED: Thank you.

MR. ZINN ROWTHORN: Thank you.

MR. LAZARUS: Brian Emerick?

MR. BRIAN EMERICK: Good evening.

HEARING OFFICER HANSTED: Good evening.

MR. ZINN ROWTHORN: Good evening.

MR. EMERICK: My name is Brian Emerick. I'm the President for Access Rehab Centers, which is the therapy company that's owned by Waterbury Hospital and Easter Seals of Greater Waterbury.

I just wanted to thank you. I know it's been a long day, so I want to thank you for the opportunity to speak.

I would respectfully ask that, when we consider this transaction, that we all need to take into consideration not just the history of Waterbury Hospital

and not just what's happening today and currently in health care, but we also have to take a look at the big picture of what's occurring and what it means -- all the changes that are occurring in health care and what it means for the survival of health care facilities, like Waterbury Hospital, going forward. I run a company that deals exclusively with outpatient services, by the way.

There are big changes in health care that are going on right now. These changes will lead to major challenges to the survival of traditional hospitals, independent practices, and many of the traditional institutions that we've all taken for granted as being part of our traditional health care system.

Everyone knows that hospitals are struggling under reduced reimbursements, as well as a significantly larger number of people, who require services.

There are several major trends that I'm seeing that are impacting all of the hospitals in Connecticut, and I'm sure you've seen them, as well.

One of the most significant is that health care is moving towards a model, where the prevention of sickness and the maintaining of health is going to be more and more important, and reimbursements will follow

for that sort of goal.

The definition of a success for a hospital is changing. It's changing from providing the best care possible to as many people as possible to a point in the future where the definition of success will be supporting health for all people in the community, preventing sickness and preventing the need for hospitalizations.

There's one serious flaw in this process for the average hospital. When a hospital does not have the community-based resources necessary and available to create that healthier community, then they will not be able to achieve the results to be successful in that new model.

Hospitals that cannot provide a more robust outpatient network will eventually be forced to close. In the future, hospitals will be paid to keep people healthy, and each hospital will be expected to absorb more and more of the costs for individuals, who eventually do require hospitalizations.

I've worked with Waterbury Hospital for 14 years. I'm an occupational therapist by background. I can honestly say that the care of Waterbury Hospital today is the best I've ever seen it in all of those 14 years.

It is of a higher quality, and it is provided with a significantly-higher degree of efficiency, as well.

Even with all of those positive changes, I can say that the expectations that are on a hospital today make it extremely hard to provide care and to keep the doors open. How many of the business owners in this community would be able to stay open if an increasing number of people were walking through their door that were only required to pay below the cost for the goods in their stores?

This is an easy equation. If more people pay below cost for your goods and services, you have to make up the difference on the customers that walk through the door, or you'll be out of business.

You either increase your prices, and hospitals really can't effectively do that anymore, or you decrease your costs.

If you can go through -- if you can only go through -- you can only go through so many rounds of layoffs before you run out of those options.

We've already seen a lot of the area hospitals do many rounds of those layoffs, and I would say that there's many other Connecticut hospitals that

will continue to make those tough choices.

So I ask myself, why Tenet? As I see it, there are two primary reasons. The first is that Tenet brings to the table the expertise and the connections to assist in reducing some of those expenses to make us a little bit more efficient. They're able to bring in larger purchasing agreements to reduce supply costs and bringing additional ideas for new ways to do best practices and reduce inefficiencies and redundancies.

Hopefully, we can streamline the system even further, without having to cut additional staffing or quality.

The second reason is the biggest reason of all. Tenet really brings to the table the capital that Waterbury Hospital will require to adapt itself to the new demands of health care and will be able to survive with that infusion of funds.

I would anticipate that, with adequate funds, Waterbury Hospital will continue to develop services integrated into the surrounding communities, so that health care is available in a much more efficient and easily-accessible manner, so that folks in the community will be able to access health care quicker, maintain their health, and prevent costly

hospitalizations.

I have looked at the Tenet system, and it's obvious to me that they know what they're doing. They know how to decrease costs, and they know how to run efficient hospitals.

That's not a bad thing. That means that not only do their hospitals provide health care and jobs in the community that the community needs, but they also have the capital to be able to adapt and grow, rather than just reel from one fiscal disaster to the next.

Tenet brings with it the expertise to maneuver the health care systems within Waterbury into a more efficient and high-quality system that will be sustainable and viable and steady going into the future. Thank you.

HEARING OFFICER HANSTED: Thank you.

(APPLAUSE)

MR. LAZARUS: Neil Peterson?

DR. NEIL PETERSON: Good evening. Thank you.

HEARING OFFICER HANSTED: Good evening.

MR. ZINN ROWTHORN: Good evening.

DR. PETERSON: My name is Neil Peterson. I've been an attending physician at Waterbury Hospital

for 25 years, and I currently serve as the Chief of the medical staff.

During that time, the delivery of health care has changed substantially and continues to do so, however, keeping pace with emerging technology and medical advances and continuing to strengthen the level of care of Waterbury Hospital patients have come to expect requires capital investment, which our hospital on its own cannot access.

Waterbury Hospital was the only Connecticut hospital and one of the top five percent nationally to receive Health Grades 2014 Distinguished Hospital Award for Clinical Excellence and to be named one of America’s 100 Best Hospitals for Critical Care.

We need to build on this already strong foundation, but it’s hard to do so in an environment, where government subsidy reductions decrease insurance company reimbursements and increase regulatory government -- regulatory restrictions are placing a great strain on an already precarious system.

The expertise and investment that Tenet Healthcare brings to our hospital and region will enhance our ability to continue to grow clinically, attract new physicians with a diverse mix of skills, and do what we

do best; take care of patients.

Our hospital Board and our management team has done a tremendous job, put in long hours, and done due diligence to broker this deal with Tenet.

Myself and the rest of the medical staff strongly support this, and we hope you do so, as well. Thank you.

HEARING OFFICER HANSTED: Thank you.

MR. ZINN ROWTHORN: Thank you.

(APPLAUSE)

MR. LAZARUS: That was the last name I had on the list. Is there anybody else from the public, who wishes to come up and speak?

HEARING OFFICER HANSTED: Okay, that's it? Okay. Let the record reflect there are no other persons, who want to give public comment. Perry, did you want to give a brief statement?

MR. ZINN ROWTHORN: I just want to thank everybody for their input today, especially the members of the public, who hung in through a long day. We appreciate that, and, if you want to do it again, same time, same place tomorrow.

(LAUGHTER)

MR. ZINN ROWTHORN: Good night, everybody.

Thank you.

HEARING OFFICER HANSTED: Thank you.

(Whereupon, the hearing adjourned at 8:31 p.m.)

AGENDA