



Department of Health and Human Services  
Commissioner's Office  
221 State Street  
# 11 State House Station  
Augusta, Maine 04333-0011  
Tel: (207) 287-3707; Fax (207) 287-3005  
TTY: 1-800-606-0215

July 2, 2009

Susan McDonough, Vice President  
Covenant Health Systems  
420 Bedford St  
Lexington, MA 02420-1527

**RE: Transfer of Sponsorship of St. Joseph Healthcare Foundation and St. Joseph Hospital in Bangor, ME**

Dear Ms. McDonough:

This letter will serve as notification that, on this date, I have decided to **grant with conditions** a Certificate of Need (CON) that authorizes the transfer of sponsorship of St. Joseph Healthcare Foundation and St. Joseph Hospital located in Bangor, ME to Covenant Health Systems.

My approval is conditioned on the following being implemented:

- 1) Modify the terms of the agreement to allow for the deferral or reduction of the management fee should excess revenue over expenditures be less than 1.2% of expenses in any given year. Payment of any cumulative deferral of the management fee from prior years will be allowed in a subsequent year only up to the excess of revenues over expenses in that year.
- 2) Report improvements in quality outcomes as a result of this merger annually for a period of three years from transfer date.
- 3) Identify and report savings that result from this project annually for the first three years from transfer date.

In order for this CON to remain valid, the project must be "commenced" within one year from the date of the original approval noted above. You must complete implementation reports on your activities as specified for this type of project (CON Procedures Manual, Chapter 11, Sec. 3). Limited extensions may be available, if requested in a timely manner and for good cause, as explained in the Manual, Chapter 9, Sec. 3. Failure to commence the project within this 12-month period will result in expiration of the CON, unless an extension is obtained, as cited above.

I am granting this CON with conditions because I have determined that the project meets the criteria set forth in the CON Act Sec. 335(1) and the Department's regulations. The specific details of the project for which I have granted this CON are contained in an application found to be subject to review in accordance with the provisions of the Maine Certificate of Need Act, and was certified complete by the applicant on December 19, 2008.

Please be aware that in accordance with Section 346 of the Maine Certificate of Need Act this Certificate, as modified herein, is valid only for the stated scope, premises and facility named in the above referenced application and is not transferable or assignable.

Furthermore, it should be clearly understood that our analysis and findings regarding the need for the proposed project as well as its financial and economic feasibility have been predicated on the application record as described in the Manual, Chapter 8, Subsection 5. Consequently, the proposal must be implemented consistent with the approval and

conditions stated in this letter, as informed and clarified by the Department's analysis and findings as summarized in the following Department staff reports:

1. PRELIMINARY STAFF REPORT: Report from Steven Keaten, Health Care Financial Analyst, CONU and Larry Carbonneau, Health Care Financial Analyst, CONU to Phyllis Powell, Manager, CONU, Licensing and Regulatory Services, dated May 22, 2009.
2. FINAL REVIEW: Briefing memo to Brenda M. Harvey, Commissioner, DHHS, dated July 2, 2009.

No significant changes to the project, no variations from the projected operating costs, no modifications of the terms of financing the project, and no increase in the capital expenditures to be made are permitted without the prior written approval of the Department. Any such variances may result in either the disallowance of related expenses, financial penalties or the immediate revocation of the CON.

Please work closely with my staff in the CONU to assure this project is implemented in accordance with the provisions of this Certificate and applicable rules and regulations. As part of this requirement, you are reminded that, prior to construction, the appropriate licensing and certification and State Fire Marshal officials must approve all working drawings and construction specifications.

The law requires that a holder of a CON make a written report at the end of each six-month period following its issuance. Details regarding this and related requirements will be made the subject of a separate letter from the CONU.

My staff will work with you as necessary.

Sincerely,



Brenda M. Harvey  
Commissioner, DHHS

cc: Catherine Cobb, Director  
Phyllis Powell, CONU Manager  
Anne Flanagan, Assistant Director  
Herb Downs, Audit  
Janine Raquet, AAG  
Sr. Mary Norberta Malinowski  
John P. Doyle, Esq.  
file