

**Department of Health and Human Services
 Division of Licensing and Regulatory Services
 State House, Augusta, Maine
 Preliminary Analysis**

Date: 12/15/08

Project: WCHI Membership in MaineHealth

Proposal by: MaineHealth

To: Catherine Cobb, Director of Licensing and Regulatory Services

Prepared by: Phyllis Powell, Certificate of Need Manager
 Steven Keaten, Healthcare Financial Analyst
 Larry Carbonneau, Healthcare Financial Analyst

Directly Affected Party: NONE

Recommendation:

	Proposed Per Applicant	Approved CON
Estimated Capital Expenditure	\$ 75,176,211	\$ 75,176,211
Maximum Contingency	\$ 0	\$ 0
Total Capital Expenditure with Contingency	\$ 75,176,211	\$ 75,176,211
Third Year Incremental Operating Cost Savings	\$ (743,267)	\$ (743,267)
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Capital Investment Fund (CIF) Impact:	\$ 0	\$ 0
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Bureau of Insurance Regional Impact Estimate (Savings)		(0.626 %)
Bureau of Insurance Statewide Impact Estimate (Savings)		(0.016 %)

I. Abstract

I. Abstract**A. From Applicant**

“The Board of Trustees and Corporators propose to amend the Waldo County Healthcare, Inc (WCHI) Articles of Incorporation and Bylaws so that MaineHealth shall become its sole member thereby making WCHI a subsidiary corporation of MaineHealth (Membership). WCHI will maintain its existing corporate form. MaineHealth will be substituted for WCHI’s existing corporators. The scheduled effective date is October 1, 2008 subject to gaining all required approvals, consents and authorizations.”

“Waldo County Healthcare, Inc. (WCHI) is a non-profit § 501(c)(3) health care corporation located in Belfast, Maine, and providing a critically necessary continuum of high quality inpatient and outpatient health care services for the residents of Waldo county.”

“This project contemplates the maintenance of WCHI as a healthcare organization in its current form. Day to day operation of the facility will remain as currently, subject to oversight by MaineHealth, and with future service and financial initiatives requiring approval by MaineHealth. In this respect, the project constitutes a “change of control”, with the role of MaineHealth toward WCHI being essentially the same as if it were a management arrangement.”

“The “Definitive Agreement” between MaineHealth and WCHI, signed by the Chief Executive Officers of each of the parties on July 28, 2008 reflects all consideration passing between MaineHealth and WCHI.”

“Please refer to Exhibit I-A: Definitive Agreement.”

“The current WCHI Board of Directors will continue, and WCHI’s current corporators will serve as an Advisory Council. New members of the WCHI Board must be nominated by sitting members of the WCHI’s Board, and are subject to the approval of MaineHealth as the sole member. At least 90% of the individuals elected and serving on the WCHI Board must be residents of the WCHI service area. MaineHealth has agreed that it will not withhold approval of any WCHI board member nominated by the WCHI Board unless it has a rational basis for doing so.”

“All property of WCHI pre-closing will remain the property of WCHI post-closing. WCHI will retain its tax-exempt charitable status. Endowment funds of WCHI, including funds held in trust or otherwise for the benefit of WCHI or its subsidiaries, will remain assets of WCHI subject to budgeting control of the WCHI Board of Trustees.”

“Day-to-day operational control of WCHI will reside with the WCHI Board of Trustees and WCHI management. The following activities and decisions of WCHI will require approval by MaineHealth: new WCHI’s board members nominated by the WCHI board; appointment of WCHI’s Chief Executive Officer; WCHI’s annual operating and capital budgets; business marketing and strategic plans; disposition of assets of more than \$ 250,000; incurrence of indebtedness outside the ordinary course of business in excess of \$ 250,000; and initiating or terminating existing services.”

“No change to the existing level and array of healthcare services provided by WCHI can occur unless it is the jointly approved by WCHI and MaineHealth.”

I. Abstract

“The Definitive Agreement also makes provisions for the composition of the MaineHealth Board. The WCHI Board may nominate for election one trustee to the MaineHealth Board to serve for a three-year term. MaineHealth has also agreed that the MaineHealth Corporators will be geographically diversified to add residents of the WCHI service area.”

“As a member of MaineHealth, WCHI will participate in the development and implementation of MaineHealth-initiated and sponsored health status improvement, clinical integration, and quality improvement initiatives. WCHI will also have access to shared administrative resources of the MaineHealth system, including purchasing, legal services, financial services, strategic planning, program development and human resource management. WCHI will also participate in MaineHealth’s health benefit and workers’ compensation plans, and its professional liability insurance trust.”

“There is no capital expenditure requiring a Certificate of Need as described in 22 M.R.S.A. § 329 (3) involved in making WCHI a subsidiary corporation of MaineHealth (Membership). There are no incremental third year operating costs associated with this project. The project does not involve a debit against the amount credited to the Capital Investment Fund for the current annual effective period.”

“MaineHealth is Fit, Willing and Able – Over the past twelve years, MaineHealth has brought five hospitals, two home health agencies and one hospital administrative support services organization in as members of MaineHealth. The DHHS CON unit determined that MaineHealth was fit, willing and able to support those changes in ownership for the five hospitals (Brighton Medical Center, St. Andrews Hospital, Miles Memorial Hospital, Stephens Memorial Hospital and Jackson Brook Institute/Spring Harbor Hospital) and one of the home health agencies (Community Health Services of Cumberland County). MaineHealth is even better positioned today to bring in WCHI as a member than it was for these organizations. MaineHealth has the organizational structures and resources in place to ensure the quality of services at WCHI continues to improve and that WCHI maintains all appropriate licenses, certifications and accreditations. The board of WCHI and all key personnel at WCHI and MaineHealth will remain in place.”

“Is Economically Feasible – WCHI becoming a member of MaineHealth involves no capital expenditure by MaineHealth or WCHI requiring a certificate of need. Neither WCHI, MaineHealth, the State of Maine or the health care delivery system in Maine will incur any increase in operating expenses as a result of this change in ownership. MaineHealth, as evidenced by its Standard and Poors AA- credit rating and its financial statements, has the financial capability to support this transaction”

“Meets a Public Need – Based on an extensive review and analysis, WCHI’s Community Corporators (“owners”), Board of Trustees, Management and Medical Staff determined that it could best meet its mission of providing high quality health care and improving the health of the communities it serves if it became part of a larger health system. It selected MaineHealth as the organization that best shares WCHI’s non profit values and its vision that health care is best delivered locally as possible. WCHI will secure significant clinical and economic benefits from MaineHealth membership, strengthening its ability to serve its communities. Membership has the potential to positively impact the health status of the community and the quality of care.”

I. Abstract

“Is Consistent with Orderly and Economic Development – Creating the opportunity for WCHI to join MaineHealth, (enabling it take maximum advantage of the benefits described in this application to control costs and improve quality and to expand opportunities for collaborative efforts) is consistent with the orderly and economic development of the healthcare delivery system.”

“Is Consistent With the State Health Plan – MaineHealth has developed and implemented the most comprehensive array of initiatives focused on population based health and prevention of any organization in Maine and has committed to continue to re-direct its resources to these initiatives. WCHI has taken advantage of opportunities for collaboration with MaineHealth and its members to lower costs and increase efficiency and quality. Membership will ensure WCHI’s continuing access to these initiatives and will further expand opportunities for collaboration in clinical services planning and delivery. The change in ownership should not have any impact on regional and statewide health insurance premiums. MaineHealth’s commitment to electronic information systems is extensive, including an ambulatory electronic record, a PACs system for imaging, an electronic ICU monitoring system and its support of Health InfoNet.”

“Outcomes and Community Impact – The change in ownership will not negatively affect the quality of care at existing providers, and will not negatively impact WCHI’s existing services. WCHI’s finances should improve through cost reductions resulting from WCHI’s access to MaineHealth’s administrative integration initiatives. MaineHealth’s support and expertise will create additional opportunities for WCHI to improve the quality of care it provides and improve the health of its communities.”

“Service Utilization – Utilization of acute care services by residents of the WCHI service area is not affected except to the extent that implementation of MaineHealth’s health status improvement and clinical integration initiatives will improve utilization. Membership in MaineHealth can only contribute to maintaining this position.”

“Capital Investment Fund – Since there is no capital expenditure or incremental operating expenses, the change of ownership does not involve a debit against the Capital Investment Fund.”

B. CONU Discussion

MaineHealth is a non-profit healthcare corporation that is the parent of several hospitals, nursing facilities, physician practices and other health care related entities located throughout parts of southern, western and mid-coastal Maine. MaineHealth also has numerous strategic affiliation agreements with other hospitals within the same area. By virtue of its size, MaineHealth is the largest such healthcare organization in Maine. MaineHealth’s administrative offices are located in Portland, Maine.

Waldo County Healthcare, Inc. (WCHI) is a non-profit healthcare corporation that is the parent of one 25-bed critical access community hospital and several other healthcare related entities located primarily in Waldo County, Maine. WCHI administrative offices are located in Belfast, Maine.

I. Abstract

MaineHealth and WCHI have entered into a “Definitive Agreement” that would make WCHI a subsidiary corporation of MaineHealth (Membership). As presented in the application the benefits of Waldo County Healthcare, Inc. of becoming a member of MaineHealth are greater for the Waldo County community than becoming or staying an affiliate of MaineHealth.

WCHI offices, located in Belfast, are approximately 150 miles from MaineHealth’s offices in Portland. The closest MaineHealth member organization to WCHI would be Miles Healthcare located 56 miles away in Damariscotta. The closest MaineHealth strategic affiliate to WCHI would be Pen Bay Healthcare located 22 miles away in Rockport.

Waldo County General Hospital (WCGH) lists a P.E.T. (Positron emission tomography) and a M.R.I. (Magnetic Resonance Imaging) as available services. These are currently provided through a mobile vendor and are not hospital owned services. In addition Renal Dialysis is also located on the hospital campus but not a hospital owned service.

II. Fit, Willing and Able

II. Fit, Willing and Able

A. From Applicant

“Summary – MaineHealth is fit, willing and able to bring WCHI into the family.

During the past twelve years, MaineHealth has brought five hospitals, two home health agencies and one hospital administrative support services organization in as members of MaineHealth. Bringing all five of the hospitals (Brighton Medical Center, St. Andrews Hospital, Miles Memorial Hospital, Stephens Memorial Hospital and Jackson Brook Institute/Spring Harbor Hospital) and one of the home health agencies (Community Health Services of Cumberland County) required determinations by the Maine Department of Health and Human Services Certificate of Need Unit that MaineHealth was fit, willing and able to support these organizations. Under the leadership of MaineHealth and these organizations’ boards, managements and clinical leadership, all have made significant contributions to the communities they serve and have been recognized frequently for those contributions. As an example of the value provided to the communities served, MaineHealth rescued Jackson Brook Institute from bankruptcy and transformed it into the leading provider of mental health services in Maine, Spring Harbor Hospital. Spring Harbor Hospital now serves as the gatekeeper/coordinator for the triaging of mental health patients to community hospitals, Riverview, and Spring Harbor Hospital for southern, central and western Maine. MaineHealth monitors the quality of services provided by its members and has set a vision of quality to be recognized nationally as a leader in health care quality and safe patient and family centered care. Its members have been recognized nationally by such organizations as U.S. News and World Report, Centers for Medicare and Medicaid, the LeapFrog Group, Solucient, Avatar, the American Nurses Credentialing Committee for Magnet Hospitals, HealthGrades, Governor’s Award for Environmental Excellence, the Maine Health Management Coalition and American Cancer Society.”

“Profile of MaineHealth”

“MaineHealth
465 Congress Street
Suite 600
Portland, Maine 04101”

“<http://www.mainehealth.com>”

“Maine Health’s vision is working together so our communities are the healthiest in America.”

“MaineHealth is a non-profit § 501(c)(3) health care corporation, with the purpose of developing a broad range of integrated health services and health improvement initiatives in Maine through member organizations, including hospitals and other health care provider organizations.”

II. Fit, Willing and Able

Service Area

“MaineHealth’s service area is defined in the following manner:

Primary: Androscoggin, Cumberland, Franklin, Kennebec, Knox, Lincoln, Oxford, Sagadahoc, Somerset, Waldo and York counties.

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

Members, Affiliated Entities & Related Parties

“MaineHealth consists of the following members:

Maine Medical Center – hospital; Maine Medical Partners – diagnostic, physician and practice management services; MMC Realty Corp - real estate. Maine Medical Center is involved in the following joint ventures:

Maine Heart Center – joint venture with cardiologists, cardiac surgeons and anesthesiologists for managed care contracting;

MMC Physician Hospital Organization (PHO) - a joint venture with the Portland Community Physicians Organization;

New England Rehabilitation Hospital of Portland - joint venture rehabilitation hospital with HealthSouth;

MMC/Maine General Medical Center Joint Venture Cath. Lab.;

Cancer Care Center of York County –MMC/Southern Maine Medical Center/Goodall Hospital joint venture radiation therapy center.

Spring Harbor Hospital – psychiatric hospital.

NorDx, Scarborough, Maine – general and reference laboratory services.

Home Health Visiting Nurses of Southern Maine – home health care.

Occupational Health & Rehabilitation, Inc. – joint venture limited liability corporation providing occupational health services.

Intellicare – joint venture providing telephone support services to medical practices.

Maine Molecular Imaging – joint venture providing positron emission tomography (PET) scans.

MaineHealth Vital Network - central monitoring system staffed by intensive care physicians and nurses for intensive care patients in multiple locations.

Lincoln County Health Care – overseeing and coordinating integrated health care services of St. Andrews Hospital and Healthcare Center, and Miles Health Care.

St. Andrews Hospital and Healthcare Center – hospital, nursing home, home health agency, physician practices and assisted living.

Miles Health Care – hospital, nursing home, home health agency, physician practices and assisted living.

II. Fit, Willing and Able

Western Maine Health Care – hospital (Stephens Memorial Hospital), nursing home and physician practices.

Maine PHO – joint Physician-Hospital Organization (PHO) of the PHO's of Maine General Medical Center, Southern Maine Medical Center, Maine Medical Center, Stephens Memorial Hospital and St. Mary's Regional Medical Center.

Maine Behavioral Health Partnership – joint venture of MaineHealth[®], Maine Medical Center, Sweetser, Spurwink, Southern Maine Medical Center, Spring Harbor Hospital and St. Mary's Regional Medical Center providing behavioral health case management services for self-insured employers.

Synernet – not for profit organization providing group purchasing and consulting services for its member organizations.

MaineHealth also has strategic affiliation agreements with Southern Maine Medical Center, Maine General Health, Mid Coast Health Services, Pen Bay Healthcare and Sisters of Charity Health System (St. Mary's Regional Medical Center)."

Fit, Willing and Able

"Throughout its history, MaineHealth has demonstrated on numerous occasions its ability to effectively and efficiently integrate a variety of health care organizations into its governance and management structures while maintaining a strong and vibrant role for the local community in governance. Examples include:

- Community Health Services, the largest home health agency serving Cumberland County, joins MaineHealth (1996);
- Brighton Medical Center merged into MMC and its acute care services consolidated at MMC (1996);
- Maine Medical Center and HealthSouth create a 50/50 100 bed joint venture acute rehabilitation hospital at the former Brighton Medical Center, combining MMC's acute rehabilitation program with New England Rehabilitation Hospital's 80 beds (1996);
- St. Andrews Hospital and Health Care Center and Miles Health Care join MaineHealth (1996 – 1997); MaineHealth combines St. Andrews and Miles under a single governance structure to ensure the delivery of services in Lincoln County are fully integrated and coordinated (2008)
- Western Maine Health Care (Stephens Memorial Hospital) joins MaineHealth (1999)
- Through a series of mergers, the financially distressed Jackson Brook Institute is converted to the not-for-profit MaineHealth member Spring Harbor Hospital (1999-2001)
- Synernet, a shared services organization of 7 hospitals, joins MaineHealth (2001)

II. Fit, Willing and Able

- Community Health Services merges with Visiting Nurse Service of Southern Maine and Seacoast New Hampshire, to create Home Health Visiting Nurses of Southern Maine (2004)
- The Maine PHO (a joint venture of Physician Hospital Organizations of Maine Medical Center, Southern Maine Medical Center, Maine General Medical Center and St. Mary's Regional Medical Center) becomes a MaineHealth member to integrate regional risk based contracting and quality improvement (1999)"

"Bringing six of these organizations (Brighton Medical Center, St. Andrews Hospital, Miles Memorial Hospital, Stephens Memorial Hospital, Jackson Brook Institute/Spring Harbor Hospital and Community Health Services) required determinations by the Maine Department of Human Services Certificate of Need Unit that MaineHealth was fit, willing and able to support these organizations."

"In addition to bringing these organizations into its corporate structure, MaineHealth has established various affiliation arrangements with the following organizations. These affiliations seek to improve quality, access and efficiency through cooperative efforts:

- MaineGeneral Health/Maine General Medical Center (1997)
- Southern Maine Medical Center (1997)
- Mid Coast Health Services/Mid Coast Hospital (1999)
- St. Mary's Regional Medical Center (2000)
- One Maine Collaborative (MaineHealth, Eastern Maine Health Care and Maine General Health) (2007)
- Pen Bay Health Care/Pen Bay Medical Center (2008)"

"The rationale for these organizations joining MaineHealth or establishing formal affiliations has the following common themes:

- Achievement of clinical and financial benefits from economies of scale;
- Cost effective access to capital
- Avoidance of duplication of services and improving efficiency, access and quality;
- The increasing complexities of health care delivery, financing and reimbursement make it difficult, if not impossible, for small to medium size organizations to meet the needs of their communities as stand alone organizations."

"Evidence of these trends of hospitals joining systems include:

- Nationally, 55% of all community hospitals are in health care systems;
- In Maine, 60% of hospitals are members of or affiliated with Maine based or national systems."

II. Fit, Willing and Able

“Through a definitive agreement, MaineHealth and the organizations that joined MaineHealth as members have defined roles, responsibilities and expectations for the organizations. MaineHealth’s approach to governance and management embodied in the Definitive Agreement with WCHI and with members such as Western Maine Healthcare, Miles Healthcare and St. Andrews Hospital, can best be described as a “decentralized model”. The joining organization’s board, medical staff and management retain field responsibility for policy, management, fiscal affairs, clinical program development, quality and safety and performance improvement. The CEO’s of the member organizations along with the MaineHealth senior staff recommend policy, program development and budget performance targets to the MaineHealth Board of Trustees. The MaineHealth Board reviews and approves member organizations’ budgets, strategic plans, property acquisitions and dispositions, debt financing above a certain level and major capital projects.”

Commitment to Quality

“MaineHealth is committed to achieving measurable benchmarks and thus being recognized by patients, payors and providers as the benchmark for quality and safety, patient and family experience and evidence based use of resources. On a quarterly basis the MaineHealth board reviews quality performance measures for all member and affiliate organizations, including:

- National Quality Forum hospitals measures
- Performance of participants in the MaineHealth Vital Network (electronic ICU monitoring system)
- Home health clinical measures
- Long term care clinical measures”

“In 2007, the MaineHealth Board adopted the following 10 year vision for quality and safety:

“In 2017 MaineHealth will be a nationally recognized leader in health care quality and safe patient and family centered care. We will achieve that status not because we seek national prominence for its sake but rather it will be founded on an unwavering system level commitment to quality and safety and continuously improving the health of the communities we serve. Achieving and sustaining excellence starts with our belief that every single patient in the communities we serve deserves the highest quality health care services that we can provide in an efficient and cost effective manner. We will communicate publicly our quality, safety and cost information to aid patients and their families in making informed choices when seeking health care services. The core of our success will be our boards and management teams focusing at all levels on quality and safety as the critical elements driving strategic planning. Across the continuum of care our physicians, nurses, staff, patients and their families will collaborate to set high standards, monitor performance, openly share results and work together to continuously improve quality and safety.”

II. Fit, Willing and Able

“To implement this vision, MaineHealth has established its Center for Quality and Patient Safety under the direction of Dr. Vance Brown, MaineHealth Chief Medical Officer. The Center will focus on:

- Board Engagement – All MaineHealth and member board members will complete a core curriculum in quality and safety developed by the Center. That training will enable every board member to better understand quality, safety and performance improvement and enable them to take a greater role in ensuring quality and safety in their organization
- Education and Consultation – Center staff will provide support and expertise to member organizations in developing and implementing quality and safety initiatives. Responsibility for quality improvement and monitoring will remain at the local level
- Performance Measurement and Reporting – Member organizations are overwhelmed at present by the number of organizations requesting quality and safety performance information. The Center will provide support for data collection, measurement and reporting allowing members to focus on actual quality and performance improvement
- Accreditation and Regulatory Support – The Center will provide the support and expertise to ensure member organizations attain and maintain all appropriate licensure and accreditation standards
- System Wide Performance Targets – Working with members, MaineHealth will identify system wide performance targets to ensure consistency and accountability for major clinical processes. Included in these efforts will be clinical decision support systems that facilitate the monitoring of performance.”

“Under MaineHealth’s Leadership, our member organizations have been recognized by a wide variety of organizations for the quality of services they provide to their communities. Presented below are a sample of the awards and recognition received. In addition to these awards, MaineHealth has been named for the past two years by Verispan to its list of the Top 100 Integrated Health Networks (based on grades for operations, quality, scope of services and efficiency). In 2007, MaineHealth ranked number 86 and in 2008 we ranked number 40 (See Exhibit II-A).”

“MaineHealth is committed to the communities it serves as evidenced by its 2007 Community Benefit Report (Exhibit II-B).”

MAINEHEALTH MEMBERS AWARDS AND RECOGNITIONS

Miles Healthcare

- “Governor's Award for Environmental Excellence - 2002, 2004
- EPA Environmental Merit Award – 2005
- Maine Environmental Leader - 2005
- Participant in Maine's STEP-UP - 2002, 2003, 2004, 2005, 2006, 2007, 2008

II. Fit, Willing and Able

- Participant in Governor's Carbon Challenge - 2004, 2005, 2006, 2007, 2008
- NorDx was also honored by receiving a write up in the State Officials Guide (2003) in the chapter of Environmental Management Systems, published by the Council of State Governments
- Avatar patient Satisfaction Awards, 2003, 2004, 2005, 2006”

Spring Harbor

- **“2008:** Board member Anne Pringle named Volunteer of the Year by Maine Governor John Baldacci
- **2008:** Director of Nutritional Services Joseph Pastore wins **Future Horizons Award** from the National Society of Healthcare Foodservice Management (HFM).
- **2007:** \$324,000 grant from the MaineHealth Access Foundation to continue the hospital's pilot program to integrate mental health treatment within primary care settings in Maine.
- **2007:** \$15,000 grant from The Sadie and Harry Davis Foundation to research outcomes of Spring Harbor's intensive community treatment program serving youth and families of Greater Portland.
- **2006:** \$12 million grant from The Robert Wood Johnson Foundation for dissemination of research to identify and prevent serious mental illness in youth
- **2006:** \$1 million donation from Judy and Al Glickman of Cape Elizabeth to establish the Glickman Family Center for Child & Adolescent Psychiatry at Spring Harbor Hospital
- **2006:** Joint Commission *Gold Seal of Approval* (Spring Harbor Hospital & Spring Harbor Counseling)
- **2005:** Construction of the new Spring Harbor Hospital facility is named 'Project of Distinction' by the Maine chapter of the Project Management Institute.
- **2004:** *Healthcare Leaders* national finalist for *Top Leadership Teams in Healthcare* competition (executive management team)
- **2004:** Spring Harbor Hospital opens Maine's only inpatient treatment unit for youth with developmental disorders and autism
- **2004:** *Warren Williams Assembly Speakers Award* from the American Psychiatric Association (William McFarlane, M.D., director of psychiatric research)
- **2004:** GAINS Center *National Achievement Award* for involvement in the Cumberland County Jail Diversion Grant Program (the ACCESS assertive community treatment team for adults)”

Western Maine Health Care

- **“2008 -** Our diabetes self management program received an award from the American Diabetes Association for our self-management program.
- Blue Ribbon Award - Maine Health Management Coalition
- Western Maine Health received the Employer of the Year Award from the Oxford Hills Chamber of Commerce

II. Fit, Willing and Able

- **2007** - The FDA awarded SMH with a perfect score for the inspection of our mammography department.
- Our Breast Cancer Team was awarded the Sandra C. Labarec North East Volunteer Values Award by the American Cancer Society
- Blue Ribbon Maine Health Management Coalition (only for part of the year)
- **2006** - The Women's Imaging Center received the first award every by the Mammography Regulation and Reimbursement Report for breast imaging innovation for our free mammogram coupon program
- Maine Health Management Coalition Blue Ribbon Award
- Market Square Health Care Center - (WMH's nursing home)
2007 - SHARP Awards (2)*
2005 - SHARP award
Facility of the Year by Advance for Providers, a national magazine for long term care”

Maine Medical Center

- **“U.S. News & World Report**
2008 #41 of 50 in nation for gynecologic care
2007 #45 of 50 in nation for orthopedic care
2007 #50 of 50 in nation for heart care and heart surgery”
- **“Centers for Medicare & Medicaid Services**
2007 Top 1% in nation for heart attack
2007 Top 5% in nation for overall cardiac mortality”
- **“Committee on Trauma of the American College of Surgeons**
2007 Certified Level I Trauma Center”
- **“The Leapfrog Group**
2006 Leapfrog Top 50 Hospitals (based on safety practices)”
- **“Hospitals & Health Networks Magazine**
2007 Top 25 “Most Wireless” Hospitals
2006 Top 100 “Most Wired” Hospitals
2006 Top 25 “Most Wireless” Hospitals”
- **“American Nurses Credentialing Committee**
2006 Magnet Recognition for Excellence in Nursing”
- **“Maine State Employees Health Commission**
2006 “Preferred Hospital”

II. Fit, Willing and Able

- **“Consumer’s Digest**

2005: #4 on list of “50 Exceptional U.S. Hospitals”
(based on Leapfrog/NQF safety practices)”

- **“Joint Commission**

Joint Commission Accredited Hospital
2007 Disease-specific Certification: Primary Stroke Center
2006 Disease-specific Certification: Heart Failure”

- **“Solucient (formerly HCIA)**

1999 Top 100 Cardiovascular Hospitals
2001 100 Top Cardiovascular Hospitals
2002 100 Top Hospitals
2004 100 Top Cardiovascular Hospitals”

- **“Child Magazine**

2003 Top 25 Children’s Hospitals”

- **“Cleverly + Associates Community Value Index**

2007 Community Value Top 100 Provider”

- **“HealthGrades**

2009 Ratings

Ranked #1 in Maine for Overall Cardiac Services nine years in a row (2001-2009)

Ranked #1 in Maine for Cardiology Services nine years in a row (2001-2009)

Ranked #1 in Maine for Cardiac Interventions Procedures seven years in a row (2003-2009)

Recipient of the HealthGrades Cardiac Care Excellence Award™ five years in a row (2005-2009)

Only Hospital in Maine to Receive HealthGrades Cardiac Care Excellence Award™ five years in a row (2005-2009)

Recipient of the HealthGrades Coronary Intervention Excellence Award™ two years in a row (2008-2009)

Only Hospital in Maine to Receive HealthGrades Coronary Intervention Excellence Award™ two years in a row (2008-2009)

Ranked Among the Top 5% in the Nation for Cardiology Services seven years in a row (2003-2009)

Ranked Among the Top 5% in the Nation for Coronary Interventional Procedures seven years in a row (2003-2009)

Ranked Among the Top 10% in the Nation for Overall Cardiac Services seven years in a row (2003-2009)

Five-Star Rated for Overall Cardiac Services in 2009

Only Hospital in Maine Five-Star Rated for Overall Cardiac Services in 2009

Five-Star Rated for Cardiology Services six years in a row (2004-2009)

Five-Star Rated for Coronary Interventional Procedures nine years in a row (2001-2009)

II. Fit, Willing and Able

- Five-Star Rated in the Treatment of Heart Attack nine years in a row (2001-2009)
- Five-Star Rated in the Treatment of Heart Failure in 2009
- Ranked #1 in Maine for Joint Replacement Surgeries
- Ranked Among the Top 10% in the Nation for Joint Replacement Surgeries
- Recipient of HealthGrades 2008 Joint Replacement Excellence Award™
- Only hospital in Maine to receive HealthGrades 2008 Joint Replacement Excellence Award™ Five-Star
- Rated for Joint Replacement Surgeries
- Five-Star Rated for Total Knee Replacement Surgery
- Five-Star Rated for Total Hip Replacement Surgery”

- **“American Red Cross of Southern Maine**
2007 Outstanding Medical Provider”

- **“National Research Corporation**
2004-2005 Healthcare Market Guide, “Consumer’s Choice #1, Overall Quality and Image”
2007-2008 Healthcare Market Guide, “Consumer’s Choice #1, Overall Quality and Image”

- **“United Way of Greater Portland**
2004 “Leading the Way” Award”

- **“Ronald McDonald House – Portland, Maine**
2004 “Heart of Gold” Award”

- **“City of Portland**
1997 Mayoral Proclamation recognizing MMC’s value to community”

- **“Pine Tree Council, Boy Scouts of America**
2004 Distinguished Citizen Award to Vincent S. Conti”

- **“U.S. Department of Health and Human Services**
2005 Medal of Honor for Organ Donation Success
2008 Medal of Honor for Organ Donation Success”

- **“2008**
Family Medicine Centers were awarded three out of three blue ribbons from the Maine Health Management Coalition for the Pathways of Excellence – Primary Care Initiative”

- **“2007**
6th Annual Nursing Excellence Awards: Pediatric Diabetes Dream Team receives Team Award

II. Fit, Willing and Able

Communications & Marketing group receives three awards from the New England Society for Healthcare Communications

R1 (Cardiac Surgical Post-Op and Intermediate Care Unit) receives the 2006 Service Quality Innovation Award from Avatar

Environmental Services named Department of the Year by Health Facilities Magazine and the American Society for Healthcare Environmental Services

Special Care Unit awarded 2007-2008 Beacon Award for Critical Care Excellence by the American Association of Critical-Care Nurses”

“Licenses, Certifications & Accreditations

"Statements of Deficiencies" and site visit reports from the previous three years for all the health care facilities and services in which MaineHealth member organizations have been involved are on file with the Department of Health and Human Services' Division of Licensing and Regulatory Services.”

“Presented below is information on our members’ current licenses, certifications and accreditations.”

MaineHealth® Members’ Current Licenses, Certifications and Accreditations

MaineHealth® Member	Facility/Service	State Licensed	CMS Certified	JCAHO/Other Accreditation
Maine Medical Center	Hospital	✓	✓	✓
New England Rehabilitation Hospital (MMC joint venture)	Hospital	✓	✓	✓
Spring Harbor Hospital	Hospital	✓	✓	✓
St Andrews Hospital & Healthcare Center	Hospital	✓	✓	
St Andrews Hospital & Healthcare Center	Nursing Home	✓	✓	
St Andrews Hospital & Healthcare Center	Home Health	✓	✓	
St Andrews Hospital & Healthcare Center	Assisted Living	✓		
Miles Health Care	Hospital	✓	✓	
Miles Health Care	Nursing Home	✓	✓	
Miles Health Care	Home Health	✓	✓	
Miles Health Care	Assisted Living	✓		
Western Maine Health Care	Hospital	✓	✓	
Western Maine Health Care	Nursing Home	✓	✓	

II. Fit, Willing and Able

Home Health Visiting Nurses of Southern Maine NorDx	Home Health	✓	✓	✓
	Laboratory Services		✓	✓

“Profile of Waldo County Healthcare, Inc.

Waldo County Healthcare, Inc.

118 Northport Avenue

Belfast, ME 04915

www.wchi.com”

“WCHI is a non-profit healthcare corporation, under § 501(c)(3) of the Internal Revenue Code, and is the parent corporation of Waldo County General Hospital (“WCGH”), a 25 bed critical access community hospital in Belfast, Maine, providing a critically necessary continuum of high quality inpatient and outpatient health care services for the residents of Waldo County, other non profit subsidiaries including Waldo County Home Healthcare Services, Arthur Jewell Community Health Center, Inc., Donald S. Walker Health Center, Stockton Springs Regional Health Center, Coast Medical Care, and Belfast Public Health Nursing Association, Inc. and a for profit subsidiary, Waldo County Healthcare Management Company.”

“Originally established in 1901, the mission of Waldo County Healthcare, Inc., is to be the BEST:

- **Better**

Every employee contributes to improving the quality of the organization’s work environment and services, and performs all job functions with good judgment, accuracy, neatness, thoroughness and efficiency.

- **Empathy**

Every employee demonstrates warmth, understanding and courtesy in interactions with patients, their families and co-workers.

- **Service**

Every employee demonstrates initiative, energy and enthusiasm toward reaching the organizational goal of total customer satisfaction.

- **Teamwork**

Every employee uses positive, open communication with co-workers, participates as a team member, adapts to change, supports and attains the organization’s mission and goals.”

“Waldo County General Hospital’s service area consists of 21 towns in Waldo County: Belfast, Belmont, Brooks, Frankfort, Freedom, Jackson, Knox, Liberty, Linconville, Islesboro, Monroe, Montville, Morrill, Northport, Prospect, Searsmont, Searsport, Stockton Springs, Swanville, Thorndike and Waldo.”

II. Fit, Willing and Able

“Waldo County Healthcare, Inc and its subsidiaries offer a comprehensive range of services including:

• 24 hour Emergency Department	• Magnetic Resonance Imaging (MRI)
• Ambulatory Blood Pressure Monitor	• Massage Therapy & Reiki
• Audiology & Hearing Aid Services	• Medical Library
• Bone Densitometry	• Medical Nutrition Therapy
• Cancer Resource Center	• Nuclear Medicine
• Cardio-Pulmonary Services & Rehabilitation	• Oncology & Infusion Therapy
• Cardiac Rehabilitation	• Physical & Occupational Therapy
• Cardiac Stress Tests	• Positron Emission Tomography (PET) Scan
• Computerized Tomography (CT) Scan	• Pulmonary Function Testing (PFT)
• Diabetes Clinic & Education	• Pulmonary Stress Test (V-Max)
• Digital Mammography	• Radiology (X-rays)
• Electroencephalogram (EEG)	• Renal Dialysis
• Electromyography (EMG)	• Rheumatology
• Emergency Response in the Home	• Sleep Disorders Lab
• Home Health Care	• Speech Therapy & Diagnostic Testing
• Holter Monitor & Event Monitors	• Transesophageal Echocardiography (TEE)
• Hospice Care & Hospice Inpatient Suite	• Trans-thoracic Echocardiography (TTE)
• Intensive & Critical Care Unit	• Ultrasound3-D Digital Imaging
• Incontinence Therapies	• Vertigo Therapy
• IV Therapy	• Voice & Swallowing Center
• Laboratory Services	• Women & Infants Health Care Unit”

“The Medical Staff of Waldo County General Hospital (WCGH) includes 42 active staff and 7 courtesy staff physicians and 11 nurse practitioners and physician assistants. They represent the specialties of anesthesiology, cardiovascular medicine, emergency medicine, family practice, gynecology, hospitalists, internal medicine, neurology, obstetrics, occupational medicine, oncology, ophthalmology, orthopedics, otorhinolaryngology, pediatrics, podiatry, radiology, surgery and urology.”

“The Authur Jewell Community Health Center (Brooks, Maine) provides a full range of adult and pediatric primary care services, counseling, patient education and diagnostic tests. The Center participates in MaineHealth Raising Readers program which provide children with free books from birth to age five at well visits. The Center also participates in the Maine Breast and Cervical Health Program and the Maine Bureau of Highway Safety infant and toddler car seat program.”

II. Fit, Willing and Able

“The Donald S. Walker Health Center (Liberty, Maine) provides a full range of adult and pediatric primary care services, counseling, patient education and diagnostic testing. The Center also participates in the Maine Breast and Cervical Health Program.”

“The Lincolnville Regional Health Center (Lincolnville, Maine) provides a full range of adult and pediatric primary care services and diagnostic laboratory testing.”

“The Stockton Springs Regional Health Center (Stockton Springs, Maine) provides a full range of adult and pediatric primary care services, patient counseling and diagnostic testing. The Center also participates in the Maine Breast and Cervical Health program.”

“The Searsport Regional Health Center (Searsport, Maine) provides a full range of adult and pediatric primary care services, patient counseling and diagnostic testing.”

“Waldo County Home Health and Hospice (Belfast, Maine) provides in the home medical, physical, social and emotional care to home bound people of all ages and to those choosing to die at home. It services include nurses, home health aides, social workers, physical therapists, occupational therapists, speech therapists and hospice services.”

“Licenses, Certifications & Accreditations

“Statements of Deficiencies” and site visit reports from the previous three years for all the health care facilities and services in which WCHI has been involved are on file with the Department of Health and Human Services’ Division of Licensing and Regulatory Services.”

“Waldo County General Hospital is licensed by the State of Maine, Department of Health and Human Services, and is certified for participation in the Medicare and Medicaid programs.”

“Please refer to Exhibit II-E: WCGH’s General Hospital License issued by the Maine Department of Health and Human Services.”

“WCHI is governed by a voluntary Board of Directors, currently comprised of 14 members. Mark Biscone is Executive Director, a position he has held since 1983.”

Key Personnel and Organizational Chart(s)

“The following are the key senior managers involved in this proposal. All will continue in their respective positions following WCHI becoming a member of MaineHealth.”

“William Caron, President and Chief Executive Officer, MaineHealth. Prior to his current position, Mr. Caron was Executive Vice President and Treasurer at MaineHealth and Vice President and Treasurer at Maine Medical Center in Portland, Maine. He previously was a Partner with Ernst & Young and headed their East Region healthcare consulting practice in Philadelphia, Pennsylvania.”

“Frank McGinty, Executive Vice President & Treasurer, MaineHealth. Prior to his current position, Mr. McGinty was a senior executive of Blue Cross and Blue Shield of as Senior Vice President for External Affairs and Senior Vice President & Treasurer. Mr. McGinty also worked in the public sector as the Maine Department of Human Services’

II. Fit, Willing and Able

Deputy Commissioner for Health & Medical Services and as Executive Director of the Maine Health Care Finance Commission.”

“Vance Brown, MD Chief Medical Officer, MaineHealth. Prior to joining MaineHealth, Dr. Brown was Chairman of Family Practice of the Cleveland Clinic. His is Board Certified in Internal Medicine and in Family Practice.”

“Mark Biscone, Executive Director, Waldo County Healthcare, Inc. Prior to his current position, Mr. Biscone was Director of Finance at Waldo County General Hospital; Director of Accounting and Payroll at Ellis Hospital in Schenectady, NY; Chief Accountant at Sunnyview Hospital in Schenectady, NY; and Staff Accountant at Peat, Marwick, Mitchell & Company, Albany NY.”

“Linda Drinkwater, CPA, CHFP, Chief Financial Officer, Waldo County Healthcare, Inc. Prior to joining WCHI, Ms. Drinkwater was in public accounting for 12 years and in cost accounting in manufacturing for 5 years. She has served on the Board of Directors of the Healthcare Financial Management Association Maine Chapter and as the Synernet Workers Compensation Fund Finance Committee Chair.”

B. CONU Discussion

i. Criteria

Relevant criterion for inclusion in this section are specific to the determination that the applicant is fit, willing and able to provide the proposed services at the proper standard of care as demonstrated by, among other factors, whether the quality of any health care provided in the past by the applicant or a related party under the applicant's control meets industry standards;

ii. Analysis

MaineHealth’s current member affiliates’ licenses, certifications and accreditations are numerous with all being State Licensed, CMS Certified and several are Joint Commission Accredited. MaineHealth has a proven record that they are capable of delivering the proposed services at the proper standard of care. They have been able to successfully integrate other healthcare systems into the parent corporation without difficulty while continually meeting licensing standards.

Waldo County General Hospital’s (WCGH) current license is valid until February 28, 2009. The Medical Facilities Unit of the Division of Licensing and Regulatory Services last completed a site survey on October 5, 2006 and some deficiencies were recorded. The applicant submitted a plan of correction on November 2, 2006 that was accepted by the Division on November 17, 2006. WCGH is Medicare and MaineCare certified. WCGH does not participate in the Joint Commission accreditation process. It is not known if Waldo County General Hospital will participate in the Joint Commission accreditation process after becoming a member of MaineHealth. Currently not all member hospitals of MaineHealth are Joint Commission accredited.

II. Fit, Willing and Able

iii. Conclusion

CONU recommends that the Commissioner find that MaineHealth and Waldo County Healthcare, Inc. are fit, willing and able to provide the proposed services at the proper standard of care as demonstrated by, among other factors, whether the quality of any health care provided in the past by the applicant or a related party under the applicant's control meets industry standards.

III. Economic Feasibility

III. Economic Feasibility

A. From Applicant

“WCHI becoming a member of MaineHealth involves no capital expenditure by WCHI or MaineHealth requiring a certificate of need. Neither WCHI, MaineHealth, the State of Maine or the health care delivery system in Maine will incur any net increase in operating expenses as a result of WCHI becoming a member of MaineHealth.”

“Like all MaineHealth members, WCHI will pay MaineHealth dues to support MaineHealth’s operations. Currently, those dues are calculated on the basis of 0.045% of a member’s net operating revenue. In the case of WCHI, those dues will be approximately \$246,000 for FY 2009. MaineHealth does not anticipate there will be a significant increase in the dues percentage over the next three years. As an offset to those dues, we anticipate WCHI will receive benefits from membership from participation in MaineHealth programs that will offset those dues, if not exceed them. Since there will be no net increase in WCHI’s operating expenses resulting from membership in MaineHealth, membership will require no price increase for WCHI services.”

“Attached as Exhibits III-A, III-B and III-C are audited financial statements for MaineHealth, Waldo County Healthcare, Inc. and Maine Medical Center. While Maine Medical Center is not the applicant, the CON unit has expressed an interest in reviewing its audited financial as part of its review of this application. A review of the financials of MaineHealth and WCHI demonstrate the financial ability of both organizations to support ongoing operations. Further evidence of MaineHealth’s financial strength is that since 2003 it has maintained a AA-credit rating from Standard & Poors. Its rating was reconfirmed as recently as June 2008.”

“Also attached as Exhibit III-D is the CON Unit Financial Forecast Module. The module was completed based on instructions provided to MaineHealth by CON Unit staff and Bureau of Insurance staff at a technical assistance meeting on August 15, 2008. As the CON Unit is aware, certain technical issues with the performance of the Financial Module are yet to be resolved. MaineHealth is prepared to revise its submission if and as those technical issues are resolved. At this time we can not comment on the output of the module, but reserve the right to do so during the review process. We have provided the information required by the module.”

“Compliance with DHHS Licensure, CMS Certification, JCAHO Accreditation, Local Zoning, Environmental Protection and Other Applicable Statutory and Regulatory Requirements”

“MaineHealth membership will encourage WCHI’s continuing compliance with State licensure and Medicare certification requirements.”

“WCHI will continue to comply with applicable zoning requirements, environmental protection regulations, and other applicable municipal, State and Federal ordinances, statutes and regulations.”

III. Economic Feasibility

B. CONU Discussion

i. Criteria

Relevant criterion for inclusion in this section are specific to the determination that the economic feasibility of the proposed services is demonstrated in terms of the:

- a. Capacity of the applicant to support the project financially over its useful life, in light of the rates the applicant expects to be able to charge for the services to be provided by the project; and
- b. The applicant's ability to establish and operate the project in accordance with existing and reasonably anticipated future changes in federal, state and local licensure and other applicable or potentially applicable rules.

ii. Analysis

CONU staff prepared a template (modified for mergers) that allowed for financial information from the two applicants to be placed on the same template. The applicants are the two organizations, MaineHealth and Waldo County Healthcare, Inc. (WCHI). MaineHealth is a large organization with multiple subsidiaries and joint ventures. MaineHealth has succeeded in making these separate entities self-sufficient with the bulk of inter-company activity related to membership fees, purchase buying groups, collective financing opportunities and legal and technical expertise. Because of this, CONU staff determined that for the project to be considered financially viable that showing that Maine Medical Center was capable of supporting the operations of Waldo County General Hospital (WCGH) would be sufficient for a positive recommendation regarding this determination. For the purpose of this merger, CONU looks to the capacity of Maine Medical Center as an example of MaineHealth's overall financial health.

In their audited financial statements, WCGH indicated that they had revenues in excess of expenditures for 2007 and 2006 of \$3,154,695 and \$4,989,447 respectively. Their ratios were remarkably similar for the time periods in the audited financial statements as compared to the projected periods of 2010 through 2012. The auditor's opinion of the financial statements was unqualified and cash was \$4,703,191 in 2007 which was just about 10% of the year's cash outlays indicating a days cash on hand from cash and cash investments of at least 35 days. Property and equipment made up less than a third of the balance sheet. Net assets of \$61 million dollars with only \$75 million in assets indicated a well capitalized organization. Long term debt in 2007 was only \$7.7 million and down \$500,000 from the previous year end. Investments of \$20,393,109 give the organization a significant amount of liquidity if the need arose to convert to cash. The financial statements reinforce the fact that WCHI is financially a viable operating entity in its own right.

The applicants provided limited explanations for the financial projections and provided limited commentary regarding this section and its determinations. The CONU financial presentation is consistent with comments made at the technical assistance meeting that savings from benefits to its employees alone would exceed \$1,000,000. These benefits are expected to cost over

III. Economic Feasibility

\$8,000,000 annually in 2010 and reach \$9.5M in 2012. This represents an estimated 12 % reduction in costs post merger.

The entities involved plan no reductions in staff related to this proposed transaction. Savings for WCHI are limited to the net difference between employee benefits costs and the additional fee for becoming a member of MaineHealth. Revenues in 2010, the first projected year for WCHI after the merger are expected to be \$94.6M. The savings of \$743,000 is 21% of the 2010 projected excess of revenue over expenditures in 2010.

Additional financial ratios, as well as financial projections are on file with CONU. The following discussion relies on the information presented by the applicant. At the technical assistance meeting held in October 2008, the applicant was presented a format for completing significant financial projections, as well as instructions regarding some modifications to the spreadsheet to account for the fact that this project is a merger of two hospital systems, as well as operating expenses. Twenty-three ratios were developed with the applicant's submission to help elucidate the current financial position for Maine Medical Center, MaineHealth's largest hospital, and the impact of the proposed project on its operating and financial feasibility.

The years presented show both hospitals alone and then combined for the sole purpose of showing that MaineHealth's subsidiary has the capacity to support this merger. The source for Maine Industry Medians and Northeast Regional Medians is the 2008 Almanac of Hospital Financial and Operating Indicators. We are presenting 2006 reported numbers for comparison to the project.

There are four areas of financial ratio analysis related to the ability of the project to be successful. These ratios are profitability, liquidity, capital structure and activity ratios.

Profitability ratios attempt to show how well the hospitals do in achieving an excess of revenues over expenditures or providing a return. Generating revenue in excess of expenditures is important to secure the resources necessary to update plant and equipment, implement strategic plans, or respond to emergent opportunities for investment. Losses, on the other hand, threaten liquidity, drain other investments, and may threaten the long-term viability of the organization. The profitability ratios reported here include the operating margin, which measures the profitability from operations alone, the net margin (called total margin in some sources), which measures profitability including other sources of income, and the return on total assets.

Financial Performance Indicators

Profitability	MMC 2006	MMC 2009	MMC 2012	WCGH 2012	Combined 2012
Operating Margin	6.00%	6.06%	6.81%	0.68%	6.34%
Net Margin	9.43%	9.51%	10.68%	3.39%	10.12%

III. Economic Feasibility

Return on Total Assets	5.83%	5.97%	6.48%	2.70%	6.25%
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All three margins indicate that if the proposed project occurs that Maine Medical Center and WCGH would remain profitable. These margins indicate the ability of the applicant to take on additional expenses based upon excess of revenues over expenditures.

Non-profit hospitals need to perform at financially sustainable levels in order to carry out their public missions. An adequate operating margin is a key indicator of the financial health of a hospital. Of great concern to CONU is the determination of the reasonableness of the methodology the applicant has used in determining the appropriateness of the timing and scope of the project. Over time, capital expenditures can and need to be made in order to meet the goals expressed in the State Health Plan. CONU evaluates the applicant's ability to organize and respond to its challenges in improving and maintaining the health care system.

Operating margins in the high performing hospital group have seen greater improvements in margins while hospitals in the low performing group are sliding. High performing hospitals are doing better now than five years ago. Over the same time, lower performing hospitals are generally doing worse than five years ago. There is a widening gap between high and low performing hospitals. Improvement in operating profits for high-performing hospitals drives this widening performance gap. As a comparison, operating margins in the Northeast Region are considerably lower than in other regions.

The Maine State average for operating margin in 2006 was 3.80%. Maine Medical Center was at 6.00%. WCGH in 2012 is projected to be 0.68%. The impact on the combined operations would be a decrease in operating margin of 0.47%. This decrease is significantly less than the decreases seen in other projects that have been approved in the past year.

The trend for operating margin in the State of Maine has been improving from a low of -1.35 to the present high of 3.8. Maine Medical Center's margin for the past four operating years including 2007 averaged 6.0%. 2005 was 15.90% which helped to offset the -0.54% that Maine Medical Center reported in 2004. WCGH was profitable but considerably less so.

The effect of this project on operating margins, as projected by the applicants, is not significant. This project is not expected to cause a significant impact on the operating margin on MaineHealth.

Financial Performance Indicators

Profitability	MMC 2006	MMC 2009	MMC 2012	WCGH 2012	Combined 2012
Operating Surplus	\$33,413,000	\$41,557,999	\$56,271,000	\$463,394	\$56,734,394
Total Surplus	\$52,547,000	\$65,221,999	\$88,254,000	\$2,749,781	\$90,570,072

III. Economic Feasibility

This table validates that the applicant has the capacity to financially support this project.

Liquidity: Current ratios and acid test ratios are indicators of the ability of a hospital to meet its short-term obligations. The acid test ratio is generally considered to be a more stringent measure because it recognizes only the most liquid assets as resources available for short-term debt; the current ratio assumes that inventory and accounts receivable can be liquidated sufficiently to meet short-term obligations. Days in accounts receivable and average payment period also are used to monitor liquidity. Respectively, they indicate the average length of time the hospital takes to collect one dollar of receivables or pay one dollar of commercial credit. Together, they can provide a cursory indication of cash management performance.

Financial Performance Indicators

Liquidity	MMC 2006	MMC 2009	MMC 2012	WCGH 2012	Combined 2012
Current Ratio	2.75	2.52	3.23	2.60	3.20
Days in Patient Accounts Receivable	18.54 Days	24.90 Days	23.48 Days	42.60 Days	24.93 Days
Days Cash on Hand	232.83 Days	210.89 Days	282.32 Days	174.21 Days	273.14 Days
Average Payment Period	96.77 Days	93.34 Days	86.06 Days	37.88 Days	81.97 Days

In terms of liquidity, the applicant currently has substantial liquidity. This is caused however in part by a significant delay in making payments to its vendors. It is interesting to note that the projection indicates a decreasing lag over the forecasted period. The average payment period for is significantly longer than most other hospitals reviewed by CONU. Forecasted average payment periods are a very conservative 86 days, because this is a continuation of recent trends it strengthens the assurance that cash needs can be met. Days in accounts receivable decreases over the period by 1.5 days. Day's cash on hand was in a range of 230-280 days in the 2006-2009 periods and is projected to increase significantly to more than 282 days during the course of the project. This may be an indication that future projects may not be incorporated in the projection.

Liquidity measures a hospital's ability to manage change and provide for short-term needs for cash. This liquidity alleviates the need for decision making to be focused on short term goals and allows for more efficient planning and operations of a hospital.

Days Cash On Hand is a ratio that is an industry accepted, easily calculated, method to determine a hospital's ability to meet cash demands.

III. Economic Feasibility

The year 2006 marked a steep decline of cash on hand nationally. The applicant's major member, Maine Medical Center had patient service revenue closing in on \$1 Billion annually and cash on hand of 232 days in 2006 clearly has significantly more cash on hand than the average hospital in its peer group. Interestingly, S & P Bond ratings showed no clear distinction between ratings and cash on hand for investment grade ratings. This may mean that high performing hospitals do attempt to control excess levels of on-hand cash.

In 2006 the average days cash on hand for all sources for hospitals in the State of Maine was 97.9 days. Calculated days cash on hand for Maine Medical Center in 2006 was approximately 232 days indicating that Maine Medical Center was in the 90th percentile. WCGH is expecting days cash on hand to be 174 days in 2012.

According to the same source, between 2000 and 2004 the average days cash on hand remained about 68 days. In 2006 cash on hand reached a five year low. Between 2006 and 2012 average days cash on hand for Maine Medical Center is projected to increase by 50 days. In 2004, Maine had 15% less day's cash on hand than the Northeast Region at 80 days, 12 days more than the Maine average. In 2006, Maine hospitals had increased their cash on hand by 50% in two years to be 30 days above the regional average.

The impact of the proposed project is calculated to be a decrease of 9 days cash on hand in the third operating year as compared to the non CON operating projection (with and without this project). This is a minor decrease in day's cash on hand. Based upon source information this hospital is projected to be in greater than the 90th percentile for day's cash on hand, compared to today's industry averages, with or without the project. Therefore this project will not have a substantial impact on Maine Medical Center's operating ability to meet its cash demands. Even if actual cash on hand is lower, based on additional investments in programs and technology, MaineHealth should be able to adequately support WCHI.

Activity and Capital Structure: Activity ratios indicate the efficiency with which an organization uses its resources, typically in an attempt to generate revenue. Activity ratios can present a complicated picture because they are influenced both by revenues and the value of assets owned by the organization. The total asset turnover ratio compares revenues to total assets. Total assets may rise (or fall) disproportionately in a year of heavy (dis)investment in plant and equipment, or decrease steadily with annual depreciation. Thus, it is helpful to view total asset turnover at the same time as age of plant. Debt service coverage is reviewed in greater detail. Debt Service coverage measures the ability of a hospital to cover its current year interest and balance payments.

Financial Performance Indicators

Solvency	MMC 2006	MMC 2009	MMC 2012	WCGH 2012	Combined 2012
Equity Financing	66.97%	69.24%	73.06%	84.54%	73.74%

III. Economic Feasibility

Debt Service Coverage	11.23	7.66	9.68	TBD	TBD
Cash Flow to Total Debt	28%	33%	42%	23%	33.08%
Fixed Asset Financing	64%	39%	39%	32%	38.81%

Many long term creditors and bond rating agencies evaluate capital structure ratios to determine the hospital's ability to increase its amount of financing. During the past 20 years, the hospital industry has radically increased its percentage of debt financing. This trend makes capital structure ratios important to hospital management because these ratios are widely used by outside creditors. Values for these ratios ultimately determine the amount of financing available for a hospital. Debt service coverage is the most widely used capital structure ratio. Debt service coverage minimums are often seen as loan requirements when obtaining financing. Debt service coverage is the ratio of earnings plus depreciation and interest expense to debt service requirements. In 2006 the median Maine hospital's debt service coverage (DSC) was 3.48x.

Maine Medical Center had a DSC in 2006 of 11.237x which places it in the range of 90th percentile. The trend has been statewide for 2002-2006 has been increasing with a low of 2.36 in 2002 and a high of 3.71 in 2004. The trend for Maine Medical Center has been decreasing for the last 4 years from 11.23x to 7.66x. The trend as projected by Maine Medical Center for this project 2008-2015 is that DSC is expected to partly rebound to 9.68% for Maine Medical Center. The amount of debt on the projected worksheets for WCGH is the same for both 2011 and 2012 so the ratios in 2012 and for the combined operations will need to be determined later.

Maine Medical Center has the capacity and the ability to have adequate debt service coverage. If Maine Medical Center were to maintain its debt service coverage at a ratio consistent with its recent history, a change of 1.16x (assuming all 2011 debt for WCGH with no income or revenue) would not significantly impact its ability to service its loans.

The 2008 Almanac commented: "Low performance hospitals have historically used more debt to finance net fixed assets than high performance hospitals. With the removal of capital cost pass through, long term debt will become most costly relative to equity. High performance hospitals are restructuring their capital positions to reflect this shift in the relative costs of debt and equity capital. However, we expect fixed asset financing ratios to continue to remain stable during the next 5 (five) years as hospitals curtail their growth in new capital expenditures and reduce their reliance on long term debt."

The Northeast has considerably higher rates in financing fixed assets than other regions. The 2006 average for hospitals in the State of Maine was 52 percent in regards to fixed asset financing. In 2006, Maine Medical Center was at 64 percent which is the 50th-75th percentile for the State of Maine. For the years 2002-2006, for hospitals with revenues similar to Maine Medical Centers, 63 percent is about the average. WCGH reported a fixed asset financing ratio of only 32%. This can be explained by looking at the turnover ratios in the following table.

III. Economic Feasibility

The fixed asset financing ratio over the past 5 years has remained relatively consistent in the State of Maine.

Efficiency Ratios: Efficiency ratios measure various assets and how many times annual revenues exceed these assets.

Financial Performance Indicators

Efficiency	MMC 2006	MMC 2009	MMC 2012	WCGH 2012	Combined 2012
Total Asset Turnover	0.62	0.63	0.61	0.78	0.61
Fixed Asset Turnover	2.04	1.45	1.61	3.29	1.65
Current Asset Turnover	1.55	1.78	1.54	3.90	1.60

Total asset turnover (TAT) provides an index of the number of operating revenue dollars generated per dollar of asset investment. Higher values for this ratio imply greater generation of revenue from the existing investments of assets. Larger hospitals usually have lower values for turnover than smaller hospitals. This can be attributed to two factors. First, larger hospitals are most likely to have newer physical plants. Second, capital intensity is often greater in larger hospitals due to more special services and higher levels of technology.

In 2006, according to the source cited above, Maine hospitals had a TAT of 1.12.

For 2006, Maine Medical Center had a TAT of 1.55. This is indicative of the relative age of the hospital and expected because of the significant hospital improvements over the past decade.

In the period of 2000 – 2004 there has been a steady increase in the TAT for Maine hospitals. The expected trend for Maine Medical Center is for TAT to remain the same during the time frame of this project 2009-2012. This is reflective of a hospital planning to spend approximately the same percentage of funds on capital improvements or investments in technology operating costs in the third operating year are expected to decrease by \$743,267. For the Bureau of Insurance this amount is adjusted to a current value of \$792,135 in order to calculate the impact of this project on commercial insurance premiums. The impact on the Capital Investment Fund (CIF), if approved, would be \$0. The decrease of \$743,267 includes \$1,060,900 in savings related to benefits costs and increase of \$317,633 in fees to MaineHealth. No increases in operating costs due to employing initiatives indicated in the State Health Plan section are included. These costs would not appear to be significant and would not impact this project.

In completing this section of the analysis, the CONU concludes that, as proposed, the applicants can financially support the project. Demands on liquidity and capital structure are expected to be adequate to support projected operations. Financing and turnover ratios show little impact on the

III. Economic Feasibility

organization as a whole from successfully engaging in this project. Maine Medical Center has shown current earnings which are not expected to be significantly impacted by this project.

iii. Conclusion

CONU recommends that the Commissioner determine that MaineHealth and Waldo County Healthcare, Inc. has met its burden to demonstrate that the proposed project demonstrates economic feasibility.

DRAFT

IV. Public Need

IV. Public Need

A. From Applicant

“Public Need – WCHI’s Board of Trustees and Corporators have determined that WCHI could best meet its mission of providing high quality health care and improving the health of the communities it serves if it became part of a larger health system.”

“In this section, applicants are required to demonstrate the need for the project which is typically a new service or the expansion of an existing service requiring a capital expenditure that exceeds the threshold for CON review. In this application, the “project” is the change in WCHI ownership, which requires CON review. As a result, this application addresses the need for the “project” in the context of the need for the change in ownership.”

“During the 1990’s, there was significant consolidation of health care providers into systems. While every system evolved for different reasons, most systems have set goals to improve efficiency, lower costs, improve quality and outcomes and integrate the disparate and fragmented elements of the current system into a more coordinated system. As part of its strategic planning process, WCHI identified a number of significant challenges in the environment which it must address if it is to continue to meet the health care needs of the communities it serves and to improve the health of those communities. Those challenges include:

- Continuing to provide excellent health care to all regardless of ability to pay in an environment of revenues from private and public payors not keeping pace with the costs of delivering those services;
- Difficulty in recruiting and retaining physicians as the national shortage of physicians intensifies;
- Increasing difficulty in accessing the capital necessary to invest in new and replacement technologies and facilities and in information technology and to provide working capital, information systems and facilities/offices to support the recruitment and retention of physicians;
- National, regional and local shortages of health care professionals.”

“From this strategic planning process, WCHI concluded that the best way to move forward was to become a member of a health care system, one that shared WCHI’s non profit values and its vision that healthcare is best delivered as locally as possible. WCHI’s Board, Management, Medical Staff and Community Corporators (“owners”) concluded that MaineHealth best met WCHI’s criteria for selecting a health care system. Further, WCHI identified a significant number of benefits from membership in MaineHealth which would address the challenges identified above and would strengthen WCHI’s ability to meet the health care needs of the communities it serves and to improve the health of those communities.”

“Because MaineHealth is committed to improving the health of all of the communities in its eleven county service area, it welcomed the opportunity to demonstrate to WCHI how by joining MaineHealth, the two organizations could make significant progress in achieving this vision.”

“WCHI has identified the following benefits from joining MaineHealth:

IV. Public Need

- **Commitment to Preserving WCHI's Services.** MaineHealth is committed to maintaining existing health care services in Waldo County as part of the health care delivery system. MaineHealth acknowledges that it intends for WCHI to be the primary provider of hospital and health care services for Waldo County residents within the MaineHealth integrated delivery system for so long as WCHI is a member of MaineHealth. MaineHealth also acknowledges that the existing level and array of health care services provided by WCHI is appropriate in relationship to current standards of quality, cost, volume, access and reimbursement; that WCHI's participation as a member of MaineHealth is predicated upon the understanding that WCHI will continue to provide, in Waldo County, at least those core services which are appropriate to a community health care system; and that any changes to the level and array of health care services at WCHI will not occur unless first initiated by and approved by WCHI with input from the WCHI medical staff as part of the strategic planning and budgeting process.
- **Funds for an Ambulatory Electronic Medical Records System.** Under the Definitive Agreement, MaineHealth agrees to provide financial support of \$42,000 per physician over a period of two to five years for an ambulatory electronic medical record system for WCHI and its employed physicians.
- **Access to MaineHealth's Borrowing Group.** WCHI will become a member of MaineHealth's borrowing group, which includes Maine Medical Center. Because MaineHealth's guaranty stands behind borrowing by any member of the group, WCHI will have greater access to capital and access at a lower cost.
- **Continuation of WCHI's Community Representative Board.** WCHI will remain a community health care organization governed by WCHI's Board of Directors, and no new member may serve on the Board of Directors unless nominated by WCHI's Board. This will insure the WCHI's Board will be responsive to the local community needs.
- **Full Participation in MaineHealth's Quality, Health Status Improvement and Clinical Integration Programs.** As a member of the MaineHealth system, WCHI will participate as all other members do in the development and implementation of quality improvement programs, as well as educational/networking clinical support.
- **Access to MaineHealth's Management Resources.** As a member of the MaineHealth system, WCHI will have access to shared administrative resources including but not limited to: legal, financial, strategic planning, program development and human resources.
- **Access to MaineHealth's Administrative Integration Programs.** As a member of the MaineHealth system, WCHI will have complete access to MaineHealth's health plan, workers compensation trust, purchasing program and vendor contracts, physician practice management services, professional liability trust, laundry services, investment advisory and banking services and audit services. These programs provide significant opportunities for cost savings for WCHI."

"As a result, WCHI's ability to meet community needs, to improve the community's health, to continue to provide access to services regardless of ability to pay and to continue to improve the quality of services will be enhanced significantly."

IV. Public Need

Positive Impact of Project on Health Status and Quality

“MaineHealth’s mission is “Working together so our communities are the healthiest in America”. As is described in detail in “Section VI State Health Plan”, MaineHealth is leading the development in Maine of health status improvement and clinical integration initiatives. WCHI is already a participant in MaineHealth’s Raising Readers and Vital Network Electronic ICU monitoring system. WCHI will become a participant in the full range of these initiatives which do improve the health status of the community.”

Quality and Safety

“Exhibit IV-A presents the 2007 -2009 Waldo County Healthcare, Inc. Quality Assessment and Performance Improvement Program. The vision statement, framework and goals for the program are presented below:

Vision Statement:

The goal of each healthcare worker is to provide care that meets or exceeds the expectations of patients and their families. As members of Waldo County Healthcare, Inc. (WCHI) team, we believe we can achieve this common goal of high quality care through a commitment to excellence and a quality management system that promotes mutual respect, trust, open communication and cooperation among all healthcare workers.

Framework:

A. Quality

1. Participates in State and National mandated quality initiatives
2. Compares WCHI quality data to state and national benchmarks as available
3. Evaluates quality data collected internally for improvement opportunities

B. Safety

1. Participates in regional/national safety culture surveys, such as the Agency for Healthcare Research and Quality (AHRQ) Culture of Safety Survey
2. Collects and evaluates safety data collected internally

C. Customer Satisfaction

1. Participates in the Hospital Consumer Assessment of Health Providers and Systems (HCAHPS), a CMS survey of inpatient’s perception of care
2. Evaluates results of satisfaction surveys developed and administered internally

Goals

1. Continually and systematically plan, design, measure, assess and evaluate performance of key functions and processes relative to patient safety and care for the purposes of improving patient outcomes
2. Create an organizational culture of safety for the delivery of patient care
3. Be recognized as a leader in quality patient care and patient safety
4. Obtain and utilize input from patients and families in improvement endeavors
5. Maintain a quality, supportive work environment where healthcare workers:
 1. place patient safety and quality services first

IV. Public Need

2. make a difference in the experience and outcomes for each patient and family
3. seek knowledge and skill development for improved patient care
4. decisions improve the quality and safety of care for patients and families
5. live the mission of WCHI by applying quality values of **BEST**:
 - Better – Discover better ways to do our jobs and improve all processes daily
 - Empathy – Demonstrate warmth, understanding, and courtesy to patients, families and co-workers
 - Service – customers come first. Demonstrate initiative, energy, and enthusiasm by responding to customer needs quickly, efficiently, graciously
 - Teamwork – Maintain positive, open communication and respect for co-workers to eliminate barriers between departments and job classification
- F. Use clinical sound and current data sources such as practice guidelines; information from relevant literature; and nationally accepted clinical standards
- G. Deliver quality services in cost effective manner using the **FOCUS-PDCA** methodology
 - F** – Find a process to improve
 - O** – Organize to improve the process
 - C** – Clarify current knowledge of the process
 - U** – Understand source of process variation
 - S** – Select process improvement

 - P** – Plan the improvement
 - D** – Do the improvement and the data collection
 - C** – Check/study the results of the implementation
 - A** – Act to hold the gain and continue/sustain the improvement
- H. Take action to improve processes with the knowledge gained through measurement and assessment
- I. Benchmark selected outcomes with external reference data base
- J. Track the status of identified problems to assure improvement or problem resolution
- K. Participate in state and/or national quality initiatives as required by Centers for Medicare and Medicaid Services (CMS); Northeast Healthcare Quality Foundation; Maine Quality Forum or others”

“Clearly, WCHI has committed to a culture of safety and to reporting publicly on its performance by putting its core measures scores (heart attack, heart failure, central line infections, pneumonia, surgical antibiotics administration) on its website (www.wchi.com). For these measures, WCHI/WCGH generally ranks above the state averages.”

B. CONU Discussion

i. Criteria

Relevant criterion for inclusion in this section are specific to the determination there is a public need for the proposed services as demonstrated by certain factors, including, but not limited to:

IV. Public Need

- Whether, and the extent to which, the project will substantially address specific health problems as measured by health needs in the area to be served by the project;
- Whether the project will have a positive impact on the health status indicators of the population to be served;
- Whether the services affected by the project will be accessible to all residents of the area proposed to be served; and
- Whether the project will provide demonstrable improvements in quality and outcome measures applicable to the services proposed in the project;

ii. Analysis

The applicants have given several reasons above that address this section. In order for the Waldo County Healthcare, Inc to remain a viable and sustainable healthcare resource for the people in the WCHI service area, they need to become part of a larger healthcare system to access financial, operational and management resources. Benefits of joining a healthcare system include: access to capital; access to physicians and other healthcare professionals; recruitment and retention programs; and the ability to provide quality healthcare to all patients regardless of the ability to pay. By WCHI becoming a member in MaineHealth, MaineHealth will be able to fund ambulatory electronic medical records systems for all of WCHI's physicians. WCHI will also have access to MaineHealth's management resources which include legal, financial, strategic planning, program development and human resources.

Currently, WCGH is not considered a preferred hospital under the state employee insurance plan, effective October 1, 2008. Other members of MaineHealth that are included in the plan are Maine Medical Center, Miles Memorial Hospital, and Stephen's Memorial Hospital.

iii. Conclusion

Subject to the condition of attaining Tier 1 hospital status, CONU recommends that the Commissioner determine MaineHealth and Waldo County Healthcare, Inc. has met its burden to show that the proposed project meets the public need.

V. Orderly and Economic Development

V. Orderly and Economic Development

A. From Applicant

“As was described previously, there is no capital expenditure requiring CON review and no increase in operating expenses for the health care delivery system in Maine, for the State of Maine, for MaineHealth or for WCHI as a result of WCHI joining MaineHealth.”

“Creating the opportunity for WCHI to join MaineHealth and take maximum advantage of the benefits described in detail in the previous section (access to capital for programs, facilities, information technology and physician recruitment; access to MaineHealth initiatives to improve health status and quality/safety; opportunities to reduce costs through economies of scale and access to specialized management support and expertise) is consistent with the orderly and economic development of the health care delivery system.”

“In making the decision to join MaineHealth, WCHI evaluated two other alternatives: (1) becoming an affiliate of MaineHealth (not a corporate member); (2) remaining a “freestanding” organization (not a member or affiliate of any system).”

“MaineHealth can offer participation in its administrative integration programs (those with potential for significant economic benefit and savings) and its obligated group for access to capital only to member organizations (not its affiliates). Because WCHI concluded these benefits are so significant and critical to its ability to continue to meet the health care needs of its communities and to improve the communities’ health, becoming an affiliate was not the preferred alternative. For essentially the same reasons, WCHI also concluded it could not most effectively operate as a “freestanding” organization.”

B. CONU Discussion

i. Criteria

Relevant criteria for inclusion in this section are specific to the determination that the proposed services are consistent with the orderly and economic development of health facilities and health resources for the State as demonstrated by:

- The impact of the project on total health care expenditures after taking into account, to the extent practical, both the costs and benefits of the project and the competing demands in the local service area and statewide for available resources for health care;
- The availability of state funds to cover any increase in state costs associated with utilization of the project's services; and
- The likelihood that more effective, more accessible or less costly alternative technologies or methods of service delivery may become available;

V. Orderly and Economic Development

ii. Analysis

Total projected 3rd year incremental operating costs are projected to show a savings from the membership, therefore no projected increase in MaineCare funds will be needed to fund this project through the 3rd year of operation (2012).

The applicants list a variety of potential savings from this project; however, the most significant and immediate savings comes from Waldo County Healthcare, Inc being able to participate in the MaineHealth's group health insurance plan for WCHI's employees. WCHI will be required to pay a membership fee to MaineHealth as are other member organizations that belong to MaineHealth. The fee is currently calculated on the basis of 0.045% of a member's net operating expense. This fee is projected to be to be \$317,633 by the third year of operation (FY 2012) (Table 20 of the Financial Forecast Module). As discussed in the economic feasibility section of this application the projected 3rd year incremental operating costs show a total net savings of \$743,267 (FY 2012)(Table 20 of the Financial Forecast Module) as a result of application and WCHI's membership into MaineHealth. The savings in the amount of \$1,060,900 is documented by the applicants by applying a reduction in insurance related costs as a benefit to WCHI becoming a member of MaineHealth. This is offset by the membership fee discussed above that reduces the total savings to \$743,267 by 2012.

The alternatives discussed in this chapter did not include an alternative that would have considered joining another healthcare system that is considered much closer in geographical distance to WCHI than the MaineHealth system. The applicants were asked this question in the Public Informational Meeting that was held on November 13, 2008 and is a part of the record. The response to this CONU staff question from WCHI acknowledged that WCHI had interviewed other healthcare care systems but the benefits that have been describe earlier to become a member of MaineHealth out weighted all other possible affiliations.

iii. Conclusion

CONU recommends that the Commissioner determine that MaineHealth and Waldo County Healthcare, Inc. has met its burden to demonstrate that the proposed project is consistent with the orderly and economic development of health facilities and health resources for the State.

VI. State Health Plan

VI. State Health Plan

A. From Applicant

Overview

“MaineHealth, as an applicant, and the proposed project, Waldo County Healthcare, Inc., becoming a subsidiary corporation of MaineHealth, are consistent with the intent, goals and objectives of Maine’s 2008 – 2009 State Health Plan.”

“The Governor’s Office of Health Policy and Finance’s Maine’s 2008 – 2009 State Health Plan (pp. 78-80) declares that projects that meet more of the following attributes shall receive higher priority than projects that meet fewer of these attributes in the Certificate of Need review process.”

1. **The applicant is redirecting resources and focus toward population based health and prevention.**

a. Applicant’s Discussion on Priority

“The mission of MaineHealth is “Working together so our communities are the healthiest in America”. We have made financial and human resource commitments to this mission which are based on the following beliefs:

- Health care costs in Maine(and nationally) will continue to increase due to demographic, technological and normal inflation factors which are generally beyond our control;
- If healthcare is to remain affordable to the vast majority of our citizens, changes will need to be made to the manner in which we currently provide and finance that care;
- The long-term solution to balancing increased utilization is to improve the health of the people of Maine;
- The “health care challenge” requires short-term solutions which improve the quality (both care delivery and outcomes), cost-efficiency (both clinical and administrative) and access to health care.”

“MaineHealth’s approach to improving the health of its communities focuses on two major types of initiatives:

- Health status improvement initiatives which address a health issue which is amenable to intervention based on specific, scientifically based programs
- Clinical integration initiatives which seek to improve the delivery of coordinated, integrated services to selected populations, particularly those with chronic diseases or for conditions where clinical guidelines and protocols have been demonstrated to improve outcomes.”

“Management of populations with chronic diseases has become a major focus of our clinical integration initiatives. In the next 15 years, the population in Maine over the age of 65 will double. Based on national studies we can expect that 60% of the population will have at least

VI. State Health Plan

one chronic condition and 40% will have two or more. A recent study by researchers at Johns Hopkins, the US HHS Agency for Health Research and Quality and the University of Pennsylvania predicts that by 2030, 87% of the population will be overweight, 51% will be obese and the prevalence of overweight children will nearly double. For the past 10 years, MaineHealth has been building health status improvement and clinical integration initiatives to address these challenges, funding them through a combination of MaineHealth dues, investment income and grants. Below are the MaineHealth budgets for these initiatives for FY 2008 and 2009.”

	FY 2008	FY 2009
Clinical Integration	3,325,000	4,597,000
Health Status Improvement	2,736,000	3,055,000
Community Education	<u>1,041,000</u>	<u>1,242,000</u>
Total	7,102,000	8,894,000
% of MaineHealth Total Budget	32%	32%

“Beginning in FY 2006, MaineHealth began providing partial support for these initiatives through fund balance transfers from member organizations. At the time, a limit for such transfers was set at 0.4% of each organization’s net assets. The actual amounts provided through this process increased from \$385,000 in FY 2006 to \$1,058,000 in FY 2007 and FY 2008 (representing 0.06%, 0.14% and 0.12% respectively of members’ net assets). We have not asked for more than we thought could be well used and we have continued to be successful in securing other support through grants. As part of a recently completed strategic planning process, MaineHealth adopted a strategy that recognized that, while it has been reasonably successful in its initiatives, MaineHealth must step up the scope and pace of these initiatives by committing over the next several years up to 1% of its net assets annually to support these initiatives. At present, 1% of members’ net assets would represent a commitment of \$7 million which would be added to commitments of dues revenue, investment income and grant support.”

“Presented below are brief summaries of the major health status improvement and clinical integration initiatives supported by these resources. Exhibits VI-A, VI-B, VI-C, VI-D, VI-E and VI-F provide detailed descriptions of the initiatives and the outcomes they have produced to date to improve the health of communities we serve.”

“MaineHealth emphasizes collaboration in developing and implementing clinical integration and health status improvement initiatives; all provider organizations are welcome to join us and use our tools. There are no competitors. Our approach is based on bringing together providers to design and implement evidence based approaches to the care of patients and on measuring results.”

- “AH! Asthma Health – a comprehensive patient and family education and care management program targeting childhood asthma initially and now expanded to include adults;
- Target Diabetes – a comprehensive diabetes education and care management program;
- Caring for ME – designed to improve the ability of primary care providers to care for patients with depression and to educate patients and families on their roles in self management;

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- Healthy Hearts – designed to improve the care of patients with congestive heart failure and to educate patients and families on their roles in self management;
- Clinical Improvement Registry - a computer based system provided to primary care practices in the MMC Physician-Hospital Organization and several other hospital physician organizations. The Registry provides patients and physicians with data on the management of chronic illnesses including asthma, diabetes, cardiovascular disease, depression and heart failure;
- MMC Physician Hospital Organization Clinical Improvement Plan – the Plan includes funding 23 practice based registered nurse care managers which support 265 physicians in 71 primary care practices, currently they are focusing on diabetes, depression and asthma;
- Raising Readers – a health and literacy project that provides books to all Maine Children from birth to age five at their Well Child visits;
- Care Partners – provides free physician and hospital care, drugs and care management to over 1,000 adults in Cumberland, Kennebec and Lincoln counties who do not qualify for federal and state programs.
- Center for Tobacco Independence – MaineHealth through a contract with the State manages the statewide smoking cessation program.
- Acute Myocardial Infarction/Primary Coronary Intervention Project - collaborative effort of 11 southern, central and western Maine hospitals, and their medical staffs that standardizes and improves the care of patients experiencing a heart attack.
- Stroke Program - assures that all patients with stroke receive the most up to date, high quality, efficient care; provides a coordinated system of care for stroke patients who must be transferred to another facility.
- Emergency Department Psychiatric Care - follows a medical clearance protocol for patients seen in the ED who need hospitalization; follows medication recommendations for agitated patients; and decreases the need for restraints and seclusion, including training ED staff how best to work with agitated patients.
- Healthy Weight Initiative – addresses adult and youth obesity, including a 12 step action plan (“Preventing Obesity: A Regional Approach to Reducing Risk and Improving Youth and Adult Health”).
- Youth Overweight - MaineHealth and MMC have joined with several other organizations including Hannaford, United Way, Unum, Anthem and TD Banknorth, to design and implement a 5 year initiative on youth overweight.”

“In addition to these established initiatives, MaineHealth has launched a new major initiative focusing on cancer. Goals for this new initiative include:

- For the five most prevalent cancers, adopt evidence-based clinical care guidelines, identify quality metrics and reporting methodology, and provide a range of educational supports to promote consistent use of guidelines.
- Support each MaineHealth organization in attaining or maintaining the appropriate level of cancer care accreditation, including appropriate level of credentialing necessary for

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delivering care in accordance with desired accreditation (e.g. Board-certified surgeons, surgeons with sentinel node training.)

- Improve access to clinical trials.
- Improve access to genetic counseling services.
- Support the development of patient navigation and survivorship programs to improve patient access, engagement, and satisfaction.
- Improve the Network Registry to support increased access and data review for outcomes and quality metrics.
- Coordinate services regionally to provide maximum access to care (i.e. improve access to specialists.)”

“MaineHealth and its members are clearly committed to population based health and prevention and are redirecting resources to support those initiatives.”

b. Maine CDC/DHHS Assessment

“MaineHealth states that it currently supports a great number of effective population-based health and prevention efforts. Beginning in 2006, it started transferring up to 0.4% of each member’s net assets to population-based initiatives. The funds provided through this process increased from \$385,000 in FY 2006 to \$1,058,000 in FY 2007 and 2008. MaineHealth’s stated plans are to increase the commitment to these initiatives up to 1% of members’ net assets, which would result in an anticipated commitment of \$7 million to these initiatives.”

“There is no mention of any specific planned increase in support of population-based initiatives based on the granting of this application nor any mention of support of local public health infrastructure-related initiatives (such as the MAPP process and the HMPs).”

c. CONU Findings

MaineHealth speaks to the resources that are ongoing projects but do not mention any new investments as a result of this membership. The applicants provide a budget for these initiatives in 2009 which represents 32 % of MaineHealth’s total budget. Their focus is on health status improvements initiatives and clinical integration incentives with a major focus on management of populations with chronic disease. CONU may also consider partnerships between hospitals as a possible way to meet this priority, provided that the hospitals present evidence of the effectiveness of their proposed and/or extant public health efforts. MaineHealth provided plenty of documentation in regards to the clinical and administrative integration programs and the benefits to the communities they serve. It appears MaineHealth members are asked to support existing initiatives by contributing additional funds as a percentage of their net assets towards such initiatives.

2. The applicant has a plan to reduce non-emergent ER use.

a. Applicant’s Discussion on Priority

“Long term reductions in use of emergency services are directly related to: (1) the development of initiatives to improve the health status of the population and control chronic disease: and (2)

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ensure there is convenient, timely and affordable access to physicians. As described above, MaineHealth has developed and is implementing across the region a broad base of health status improvement and chronic disease management initiatives, to address such conditions as asthma, diabetes, depression, congestive heart failure and obesity. Expansion of these programs into all of MaineHealth's eleven county service area is a priority and will be funded through the net asset transfer mechanism described above. Specific to Waldo County, WCHI has an extensive network of primary care facilities in Belfast, Brooks, Liberty, Linconville, Searsport and Stockton to ensure access to primary care, reducing the need for emergency services. MaineHealth has also implemented its CarePartners Program which provides primary care, referrals to specialists and care management to low income adults who are not eligible for state and federal programs. The program currently serves residents of Cumberland, Lincoln and Kennebec Counties and has demonstrated its ability to reduce emergency services utilization."

b. Maine CDC/DHHS Assessment

"The applicant refers to the expansion of the numerous successful MaineHealth health status improvement and chronic disease management initiatives into the WCHI service area as one way this proposal will reduce ED use. The proposal also states that it plans on reducing ED visits by supporting the existing WCHI network of primary care facilities in Belfast, Brooks, Liberty, Lincolnville, Searsport, and Stockton. The proposal also mentions the CarePartners Program for uninsured adults that can reduce ED use in the service area. There is no mention of a specific plan to assure expanded primary care hours."

c. CONU Findings

This application is not an ER project but the applicant speaks to the need to reduce ER use by more effectively using initiatives to appropriately access care to physicians.

3. The applicant demonstrates a culture of patient safety, that it has a quality improvement plan, uses evidence-based protocols, and/or has a public and/or patient safety improvement strategy for the project under consideration and for other services throughout the hospital, as well as a plan – to be specified in the application – to quantifiably track the effect of such strategies using standardized measures deemed appropriate by the Maine Quality Forum.

a. Applicant's Discussion on Priority

Commitment to Quality

"MaineHealth is committed to being recognized by patients, payors and providers as the benchmark for quality and safety, patient and family experience and evidence based use of resources. On a quarterly basis the MaineHealth board reviews quality performance measures for all member and affiliate organizations, including:

- National Quality Forum hospitals measures
- Performance of participants in the MaineHealth Vital Network (electronic ICU monitoring system)

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- Home health clinical measures
- Long term care clinical measures”

“In 2007, the MaineHealth Board adopted the following 10 year vision for quality and safety:”

“In 2017 MaineHealth will be a nationally recognized leader in health care quality and safe patient and family centered care. We will achieve that status not because we seek national prominence for its sake but rather it will be founded on an unwavering system level commitment to quality and safety and continuously improving the health of the communities we serve. Achieving and sustaining excellence starts with our belief that every single patient in the communities we serve deserves the highest quality health care services that we can provide in an efficient and cost effective manner. We will communicate publicly our quality, safety and cost information to aid patients and their families in making informed choices when seeking health care services. The core of our success will be our boards and management teams focusing at all levels on quality and safety as the critical elements driving strategic planning. Across the continuum of care our physicians, nurses, staff, patients and their families will collaborate to set high standards, monitor performance, openly share results and work together to continuously improve quality and safety.”

“In order to implement that vision, MaineHealth has established its Center for Quality and Patient Safety under the direction of Dr. Vance Brown, MaineHealth Chief Medical Officer. The Center will focus on:

- Board Engagement – All MaineHealth and member board members will complete a core curriculum in quality and safety developed by the Center. That training will enable every board member to better understand quality, safety and performance improvement and enable them to take a greater role in ensuring quality and safety in their organization
- Education and Consultation – Center staff will provide support and expertise to member organizations in developing and implementing quality and safety initiatives. Ownership and responsibility for quality improvement and monitoring will remain at the local level
- Performance Measurement and Reporting – Member organizations are overwhelmed at present by the number of organizations requesting quality and safety performance information. The Center will provide support for data collection, measurement and reporting allowing members to focus on actual quality and performance improvement.
- Accreditation and Regulatory Support – The Center will provide the support and expertise to ensure member organizations attain and maintain all appropriate licensure and accreditation standards
- System Wide Performance Targets – Working with members, MaineHealth will identify system wide performance targets to ensure consistency and accountability for major clinical processes. Included in these efforts will be clinical decision support systems that facilitate the monitoring of performance.”

“Please also refer to Exhibit IV-A: 2007-2009 Waldo County Healthcare, Inc. Quality Assessment and Performance Improvement Plan”

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b. Maine CDC/DHHS Assessment

“The applicant notes its new Center for Quality and Patient Safety that includes a planning and implementation process to adopt and follow a number of quality measures (including MQF and NQF measures) and to embrace a culture of quality throughout the organization, including its member organizations. A plan is included in the appendix.”

c. CONU Findings

MaineHealth has an active involvement with their members in monitoring quality performance measures. MaineHealth has established a Center for Quality and Patient Safety in order to implement their vision of becoming “a nationally recognized leader in health care quality and safe patient and family centered care.

WCHI submitted their FY09 quality assessment and performance improvement plan which includes the following framework:

“A. Quality

1. Participates in State and National mandated quality initiatives
2. Compares WCHI quality data to state and national benchmarks as available
3. Evaluates quality data collected internally for improvement opportunities

B. Safety

1. Participates in regional / national safety culture surveys, such as the Agency for Healthcare Research and Quality (AHRQ) Culture of Safety Survey
2. Collects and evaluates safety data collected internally

C. Customer Satisfaction

1. Participates in the Hospital Consumer Assessment of Health Providers and Systems (HCAHPS), a CMS survey of inpatient’s perception of care.
2. Evaluates results of satisfaction surveys developed and administered internally.”

MaineHealth and WCHI are both committed to the monitoring and improvement of quality and safety measures. Both entities have strategies in place to improve quality and safety measures along with tracking the effectiveness of such strategies.

4. The project leads to lower cost of care / increased efficiency through such approaches as collaboration, consolidation, and/or other means.

a. Applicant’s Discussion on Priority

“WCHI, its physicians and patients will benefit from participation in MaineHealth clinical integration and chronic disease management programs, and to realize savings from participation in MaineHealth supply chain purchasing. WCGH already participates in the MaineHealth VitalNetwork electronic ICU monitoring program. It will have the opportunity to evaluate potential savings from using NorDx to manage its lab services, participating in MaineHealth’s

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PACs system for imaging studies and from MaineHealth's Maine Medical Partners physician practice management services.”

b. Maine CDC/DHHS Assessment

“The applicant notes that the current MaineHealth services WCHI benefits from will continue if the application is approved, including the critical care monitoring services. Additionally, as a result of this proposed merger, WCHI and its patients and physicians will benefit from participating in MaineHealth's clinical integration and chronic disease management programs, its supply chain purchasing, the use of NorDx lab services, the PACs System for imaging studies, and physician practice management services.”

c. CONU Findings

The applicant has supported this criterion via the Financial Forecast submission lowering incremental operating costs through participating in MaineHealth's insurance programs. MaineHealth also demonstrates how WCHI will benefit from a collaboration of clinical integration and chronic disease management programs.

5. The project improves access to necessary services for the population.

a. Applicant's Discussion on Priority

“No change to the existing level and array of healthcare services provided by WCHI occurs as a result of WCHI becoming a member of MaineHealth. By enhancing WCHI's ability to recruit and retain physicians and invest in facilities and technology, membership in MaineHealth can mitigate what might otherwise be reduced access to care.”

b. Maine CDC/DHHS Assessment

“There is anticipated to be no changes to access, though there could be a stabilization due to improved recruitment and retention services in the WCHI service area.”

c. CONU Findings

The applicant states that while they are not improving current access to services, they are ensuring the continued availability of current services to the population as a result of WCHI's membership in MaineHealth.

6. The applicant has regularly met the Dirigo voluntary cost control targets.

a. Applicant's Discussion on Priority

“MaineHealth members hospitals and WCHI have responded positively to Governor Baldacci's request that they voluntarily hold the increases in their cost per adjusted discharge to the legislatively determined increase and hold their operating margins to less than 3.0%.”

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b. Maine CDC/DHHS Assessment

“The applicant states that MaineHealth member hospitals and WCHI have accomplished this.”

c. CONU Findings

While the applicant has stated that they have accomplished the voluntary cost control targets, there was no data provided to demonstrate this.

7. The impact of the project on regional and statewide health insurance premiums, as determined by BOI, given the benefits of the project, as determined by CONU.

a. Applicant’s Discussion on Priority

“The Bureau of Insurance (BOI) and the Certificate of Need Unit (CONU) make this determination. MaineHealth and WCHI are happy to respond to any concern, issue, question or request for additional information to assist BOI and/or CONU in making this determination.”

“MaineHealth and WCHI note that the proposed transfer of ownership involves no new capital expenditure or third year operating expense requiring a Certificate of Need as described in 22 M.R.S.A. § 329 (3). MaineHealth and WCHI believe that this project has no impact on regional and statewide health insurance premiums.”

b. Bureau of Insurance Assessment

The Bureau of Insurance assessment received December 10, 2008 acknowledged the following: “The Bureau of Insurance applied an enhanced version of the assessment model that was previously developed internally with support from its consultant, Milliman, Inc., of Minneapolis, MN, in order to develop an estimate of the impact that this CON project is likely to have on private health insurance premiums in the Waldo County Hospital, Inc., service area and in the entire state of Maine. I have worked with you and your staff at the CON Unit, using data and support from the U.S Census Bureau, the Centers for Medicare & Medicaid Services, the State Planning Office, the Office of Integrated Access and Support (DHHS), the Certificate of Need Unit of the Department of Licensing and Regulatory Services, the Bureau of Insurance, and information submitted by the applicant through your agency to perform this assessment.”

“The methodology does not take into consideration the possibility of the impact of this acquisition on health insurance premiums which might result from increased negotiating power with respect to economic considerations vis-à-vis insurance carriers or self-insurance entities. Should information become available which documents such economic considerations, this assessment may be subject to revision.”

“The methodology compares the CON project’s Year 3 incremental operating and capital costs (with costs adjusted to the year ending June 30, 2008) to the estimated private health insurance average premium per person for that same year-ending period. Based on the model, I estimate that the maximum savings impact of this CON project on private health insurance premiums in the Waldo County Hospital, Inc., service area for the project’s third year of operation could be

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approximately 0.626% (\$0.626 per \$100) of premium. I further estimate that this project, in its third year of operation, could have a savings impact on statewide private health insurance premiums of approximately 0.016% (\$0.016 per \$100) of premium.”

c. CONU Findings

Based what is currently known from the Bureau of Insurance, this project is estimated to have a saving impact on regional and statewide insurance premiums.

8. Applicants (other than those already participating in the HealthInfoNet Pilot) who have employed or have concrete plans to employ electronic health information systems to enhance care quality and patient safety.

a. Applicant’s Discussion on Priority

Ambulatory Electronic Medical Record

“In 2007, the MaineHealth Board approved a plan recommended by management to make available an ambulatory electronic medical record system to employed and independent physicians on the medical staffs of all MaineHealth member hospitals. The system is also being offered to physicians on the medical staffs of MaineHealth’s affiliate hospitals. The plan calls for bringing 400 physicians (180 employed and 220 independent) at Maine Medical Center, Miles Memorial Hospital, St. Andrews Hospital, Stephens Memorial Hospital and Spring Harbor Hospital on to the system by 2010. MaineHealth is investing \$10.4 million, its member hospitals \$2.5 million and the independent physicians \$2.7 million (\$15 million total) to bring these 400 physicians on to the system. First year (FY 2008) implementation is underway at several practice sites.”

“MaineHealth has selected Epic, one of the nation’s leading information technology organizations, as its strategic partner to implement the MaineHealth ambulatory electronic medical record. Epic allows healthcare providers the ability to address a variety of information needs, and will help MaineHealth, and its member organizations, build strong relationships with patients, facilitate an exchange of information across episodes of care, and allow anytime/anywhere data access for physicians. Epic is consistently ranked as the top EMR in its category by respected industry evaluators. The system allows clinicians to improve care, protect patient safety and enhance financial performance. With Epic, providers have the right information at the right time.”

“Under the Definitive Agreement MaineHealth has agreed to provide financial support of \$42,000 per physician over a period of two to five years for an electronic medical record system for WCHI and its employed physicians.”

Picture Archiving and Communications System

“MaineHealth has developed a PACS (imaging archiving and retrieval system) project for Maine Medical Center, Stephens Memorial Hospital, Miles Memorial Hospital, St. Andrews Hospital, St. Mary’s Regional Medical Center, Southern Maine Medical Center and 12 other sites.”

VI. State Health Plan

Vital Network (Electronic ICU Monitoring)

“In 2005, MaineHealth began offering to Maine hospitals an electronic system for monitoring real time patients in intensive care units. The system is staffed at a central location by critical care trained/certified physicians and nurses. The Leap Frog Group has determined that electronic monitoring systems satisfy its quality/safety standard for care of ICU patients by Board Certified critical care physicians. The system provides continuous monitoring of selected patient conditions and has a video system which allows the VitalNetwork Staff to view the patients. Because of its capabilities, the system has proved to reduce ICU mortality and morbidity. MaineHealth was the first health care system in New England to implement the system, and has invested in excess of \$ 4 million in the project.”

“Currently, the VitalNetwork is operational for all critical care beds (except neonates) at Maine Medical Center, Miles Memorial Hospital, St. Mary’s Regional Medical Center, Waldo County General Hospital, Pen Bay Medical Center and Southern Maine Medical Center. Implementation is in the planning stages at MaineGeneral Medical Center, Mercy Hospital and Franklin Memorial Hospital.”

HealthInfoNet

“MaineHealth has supported HealthInfoNet since its inception:

- MaineHealth leaders were active participants in developing the HealthInfoNet.
- MaineHealth has contributed \$ 250,000 over two years to underwrite the project.
- Bill Caron and Frank McGinty MaineHealth’s President and Executive Vice President have served on the Board of Directors of HealthInfoNet.
- MaineHealth acted as the guarantor for the initial eighteen-month engagement of the HealthInfoNet’s Executive Director.
- MaineHealth is negotiating to make its proprietary MaineHealth information system available to HealthInfoNet.”

“OneMaine Health (MaineHealth, MaineGeneral and Eastern Maine Health) selected and funded HealthInfoNet as the data bank for medical records to share statewide patient information such as medications, allergies and health problems regardless of where care is delivered”

b. Maine CDC/DHHS Assessment

“The applicant states it is agreeing to provide financial support (\$42,000 per physician over a 2-5 year period) to implement an EMR system for WCHI and its employed physicians. A PACS project has been developed by MaineHealth for its member hospitals. MaineHealth states that it is a supporter of HealthInfoNet, including participating in developing it and providing board membership, contributing \$250,000 over two years to help underwrite the project, acting as a guarantor for the Executive Director, and making its information system as a pilot site for the initiative.”

VI. State Health Plan

c. CONU Findings

MaineHealth has demonstrated an active role in the implementation of the HealthInfoNet Pilot within the State of Maine. MaineHealth has committed to provide financial support to WCHI employed physicians on implementing physician electronic medical records. The applicant has met this criterion.

9. Projects done in consultation with a LEEDS certified-architect that incorporate “green” best practices in building construction, renovation and operation to minimize environmental impact both internally and externally.

a. Applicant’s Discussion on Priority

“Does not apply.”

b. Maine CDC/DHHS Assessment

“This does not apply to this application.”

c. CONU Findings

This project involves no new construction. This priority does not apply.

C. Conclusion

CONU recommends that the Commissioner determine that the applicant is consistent with has State Health Plan Priorities.

VII. Outcomes and Community Impact

VII. Outcomes and Community Impact

A. From Applicant

No Impact on Other Providers

“Approval of this project does not negatively affect the quality of care delivered by other existing service providers. This project primarily involves the day-to-day operation of WCHI in its current form. There is no change to clinical services. The project should have no impact on other providers’ volume of services, quality of care or costs.”

Ensures High Quality Services

“WCHI has in place its ongoing structures to improve safety/reduce risk and improve the quality of care (see Section IV). No change in the commitment to those initiatives will occur with WCHI joining MaineHealth.”

Improves the Health of the Community

“Through participation in MaineHealth’s health status improvement and clinical integration initiatives (see Section VI), WCHI will be able to continue to impact positively the health of the communities it serves. A strengthened financial position should contribute to its ability to do so.”

No Impact on WCHI Existing Service Delivery, Management and Finances

“This project primarily involves the day-to-day operation of WCHI in its current form. There is no change to clinical services. The project should have no impact on service utilization. The current WCHI Board of Directors and Senior Management Team remain in place. As noted elsewhere in this application, WCHI finances should improve through cost reductions resulting from WCHI’s access to MaineHealth’s administrative integration initiatives, e.g., MaineHealth’s health plan, workers compensation trust, purchasing program and vendor contracts, physician practice management services, professional liability trust, laundry services, investment advisory and banking services and audit services.”

B. CONU Discussion

i. Criteria

Relevant criterion for inclusion in this section are specific to the determination that the project ensures high-quality outcomes and does not negatively affect the quality of care delivered by existing service providers.

ii. Analysis

This application involves the membership of WCHI into MaineHealth, it does not involve the addition of a new health services or the expansion of an existing service. However, as mentioned above with the approval of WCHI membership into MaineHealth and its health status improvement, clinical integration and quality improvement initiatives and programs the

VII. Outcomes and Community Impact

outcomes are predicted to improve over time. WCHI was asked at the Public Informational Meeting about referral and transfer agreements. The applicant responded that they currently have in place multiple agreements and they are not expected to change as a result of their membership into MaineHealth. WCHI did not elaborate with who they have these agreements with. WCHI has stated that patients are referred to facilities that are as “close to home” as feasible.

iii. **Conclusion**

Subject to condition of approval regarding anti-trust issues from the Maine Attorney General’s Office, CONU recommends that the Commissioner determine that WCHI and MaineHealth has met its burden to demonstrate that this project will ensure high-quality outcomes and will not negatively affect the quality of care delivered by existing service providers.

VIII. Service Utilization

VIII. Service Utilization**A. From Applicant****Service Utilization**

“WCHI joining MaineHealth will have no adverse impact on the utilization of services by residents of its service area. Participation in MaineHealth’s health status improvement, clinical integration and quality improvement initiatives should over time positively impact utilization.”

B. CONU Discussion**i. Criteria**

Relevant criterion for inclusion in this section are specific to the determination that the project does not result in inappropriate increases in service utilization, according to the principles of evidence-based medicine adopted by the Maine Quality Forum (MQF).

ii. Maine Quality Forum Analysis

Comments received by the MQF on December 12, 2008:

“Ample evidence and documentation of advantages to Waldo County Healthcare, Inc. (WCHI) of becoming part of the MaineHealth system is presented in the application. These include clinical and financial benefits from economies of scale, access to capital, avoidance of duplication of services, and the difficulties of sustaining small or medium size organizations as stand-alone organizations. There is evidence to show that integrated systems provide quality health care at generally lower costs. Part of this success is undoubtedly due in part to the system advantages noted above. However, there are other system advantages and characteristics which contribute to high quality care which are not discussed in this application which bear directly on the potentials of WCHI’s membership in MaineHealth. It is clear from the application that WCHI stands to benefit economically from this affiliation, and while economic stability may be in the ultimate interests of Waldo County patients, it is less clear what the patient-centered clinical benefits of this project will be.”

“Outside of the economic benefits of system membership, clinical integration and coordination of care between community care and specialty care is another advantage of hospitals joining systems. This benefit may be less obvious because these relationships existed prior to the economic integration of the institutions. In the case of WCHI, these clinical relationships presumably exist in all specialty areas between providers in the Belfast area and in Bangor.”

“Along similar lines, the flow of patients in traditional patterns causes financial benefits for the regional referral center. The membership of both the community hospital and the referral hospital in the same system is what allows the financial advantages of the referral hospital and its array of services to accrue to the smaller less efficient members of the system. With more of

VIII. Service Utilization

WCHI's patients referred to Eastern Maine Medical Center, because of patient preference, geographic proximity, or clinical relationships, the economic advantages to the MaineHealth system of WCHI's membership are less apparent."

"These observations are not intended as strong arguments against the proposed acquisition, but to raise questions about the interrelationships among economic integration and clinical integration which were not addressed in the application. Among these questions are

- Are there predictable impacts on patients because of WCHI's membership in a southern and western Maine system which might be the result of uncoordinated treatment protocols, non-interoperability of electronic health records, interruption of pre-existing specialist-patient relationships, or unexpected travel burdens on patients and families?
- Are the advantages of MaineHealth system membership for WCHI mitigated in this case because of the clinical relationships with Eastern Maine Medical Center?
- What are the expected effects of this project on service requirements at Eastern Maine Medical Center and at Maine Medical Center?
- What, besides VitalNet, are existing formal clinical relationships between WCHI and MaineHealth, and what formal arrangements exist between WCHI and Eastern Maine Medical Center, and how will this project impact these relationships?"

iii. CONU Analysis

This application involves the membership of WCHI into MaineHealth. It does not involve the addition of new health services or the expansion of existing service. As mentioned above, the approval of WCHI membership into MaineHealth combined with its health status improvement, clinical integration and quality improvement initiatives and programs will not create an inappropriate increase in service utilization and is expected to have a positive impact on patient care.

The application did not detail its clinical relationships with existing service providers. In the Public Informational Meeting, held November 13, 2008, the applicants stated that they have numerous clinical relationships and transfer agreements with existing service providers that are not predicted to change as a result of WCHI becoming a member of MaineHealth.

iv. Conclusion

The CONU recommends that the Commissioner determine that the applicants have met their burden to demonstrate that inappropriate increases in service utilization will not occur.

IX. Capital Investment Fund

IX. Capital Investment Fund**A. From Applicant**

MaineHealth and WCHI note that there is no new capital expenditure requiring a Certificate of Need as described in 22 M.R.S.A. § 329 (3) involved in making WCHI a subsidiary corporation of MaineHealth (Membership).

There are no incremental new third year operating costs associated with this project.

The project does not involve a debit against the amount credited to the Capital Investment Fund for the current annual effective period.

B. CONU Discussion**i. Criteria**

Relevant criterion for inclusion in this section are related to the needed determination that the project can be funded within the Capital Investment Fund.

ii. Analysis

The financial forecast module completed by the applicant's shows operational savings. There are no additional costs to the healthcare system as a result of WCHI's membership in MaineHealth.

iii. Conclusion

Due to no incremental operating costs to the healthcare system there will be no Capital Investment Fund (CIF) dollars needed to implement this application.

X. Timely Notice

X. Timely Notice

A. From Applicant

The Applicant did not provide any information regarding this section.

B. CONU Discussion

Letter of Intent filed:	August 6, 2008
Technical assistance meeting held:	September 5, 2008
CON application filed:	September 18, 2008
CON certified as complete:	September 18, 2008
CON application withdrawn	October 2, 2008
Revised CON application received	October 21, 2008
Revised CON application certified as complete	October 21, 2008
Public Information Meeting Held:	November 13, 2008
Public Hearing held:	November 13, 2008
Public comment period ended:	December 13, 2008

XI. Findings and Recommendations

XI. Findings and Recommendations

Based on the preceding analysis and the record, the CONU recommends that the Commissioner make the following findings and recommendations:

- A. That the applicant is fit, willing and able to provide the proposed services at the proper standard of care as demonstrated by, among other factors, whether the quality of any health care provided in the past by the applicant or a related party under the applicant's control meets industry standards.
- B. The economic feasibility of the proposed services is demonstrated in terms of the:
1. Capacity of the applicant to support the project financially over its useful life, in light of the rates the applicant expects to be able to charge for the services to be provided by the project; and
 2. The applicant's ability to establish and operate the project in accordance with existing and reasonably anticipated future changes in federal, state and local licensure and other applicable or potentially applicable rules;
- C. The applicant has demonstrated that there is a public need for the proposed services certain factors, including, but not limited to;
1. The project will substantially address specific health problems as measured by health needs in the area to be served by the project;
 2. The project has demonstrated that it will have a positive impact on the health status indicators of the population to be served;
 3. The services affected by the project will be accessible to all residents of the area proposed to be served; and
 4. The applicant has demonstrated that the project will provide demonstrable improvements in quality and outcome measures applicable to the services proposed in the project;
- D. The applicant has demonstrated that the proposed services are consistent with the orderly and economic development of health facilities and health resources for the State as demonstrated by:
1. The applicant has demonstrated what the impact of the project on total health care expenditures after taking into account, to the extent practical, both the costs and benefits of the project and the competing demands in the local service area and statewide for available resources for health care;

XI. Findings and Recommendations

2. The availability of State funds to cover any increase in state costs associated with utilization of the project's services; and
3. The likelihood that more effective, more accessible or less costly alternative technologies or methods of service delivery may become available was demonstrated by the applicant;

In making a determination under this subsection, the commissioner shall use data available in the state health plan under Title 2, section 103, data from the Maine Health Data Organization established in chapter 1683 and other information available to the commissioner. Particular weight must be given to information that indicates that the proposed health services are innovations in high quality health care delivery, that the proposed health services are not reasonably available in the proposed area and that the facility proposing the new health services is designed to provide excellent quality health care.

- E. The applicant has demonstrated that the project is consistent with the State Health Plan;
- F. The applicant has demonstrated that the project ensures high-quality outcomes and does not negatively affect the quality of care delivered by existing service providers;
- G. The applicant has demonstrated that the project does not result in inappropriate increases in service utilization, according to the principles of evidence-based medicine adopted by the Maine Quality Forum; and
- H. That the project need not be funded within the Capital Investment Fund.

For all the reasons contained in the preliminary analysis and in the record, CONU recommends that the Commissioner determine that this project should be **approved with conditions**:

1. The applicants will be required to produce the letter from the Department of Justice/Federal Trade Commission that waived the 30-day waiting period requirement from the Hart-Scott-Rodino Antitrust Improvement Act.
2. Provide the necessary documentation ensuring compliance with antitrust issues from the Office of the Maine Attorney General regarding this proposed merger.
3. Report cost savings attributable to this merger for a period of three years from merger date.
4. Report improvements in quality outcomes as a result of this merger for a period of three years from merger date.
5. Submit an implementation plan within 90 days of the commissioner's decision to meet the requirements for a Tier 1 hospital.
6. The applicant is required to submit the remaining balance of the CON application fee amounting to \$70,000.