

BRIEFING MEMO

Lincoln County Health Care and Lincoln Health
Acquisition of Control of Miles Memorial Hospital, St. Andrews Hospital and Cove's
Edge (2008) and Subsequent Acquisition of Control of Miles Memorial Hospital and
Cove's Edge (2013)

DATE: April 23, 2014

TO: Mary C. Mayhew, Commissioner, DHHS

THROUGH: Kenneth Albert, R.N., Esq., Director, DLRS

FROM: Larry D. Carbonneau, Manager, Health Care Oversight, DLRS
Richard S. Lawrence, Senior Health Care Financial Analyst, DLRS
Barbara Rancourt, Management Analyst, DLRS

SUBJECT: Lincoln County HealthCare and Lincoln Health Acquisition of Control of Miles
Memorial Hospital, St. Andrews Hospital and Cove's Edge (2008) and
Subsequent Acquisition of Control of Miles Memorial Hospital and Cove's Edge
(2013)

ISSUE ACTIVATED BY: The referenced proposal requires Certificate of Need (CON) approval as defined in "The Maine Certificate of Need Act of 2002," 22 MRSA § 326 et seq., as amended.

REGISTERED AFFECTED PARTIES: Bath Iron Works, Boothbay Region Health & Wellness Foundation

I. BACKGROUND:

In January 2008 MaineHealth established Lincoln County HealthCare as the sole corporate member of Miles Memorial Hospital, St. Andrews Hospital, Cove's Edge and Lincoln County Medical Group. Lincoln County HealthCare has been the immediate corporate parent of these entities from that time to the present. Lincoln County HealthCare's purposes are:

- To promote and support the provision of integrated health care services for the residents and visitors of Lincoln County and the nearby area;
- To oversee and coordinate activities of Miles Memorial Hospital, St. Andrews Hospital, Cove's Edge and Lincoln County Medical Group; and
- To provide for the planning and development and deployment of cost-efficient and effective health care services among health care service organizations in the Lincoln County area.

In 2013, the boards of trustees of Lincoln County HealthCare, Miles Memorial Hospital and St. Andrews Hospital determined that it was in the best interest of their respective missions to merge the two hospitals.

The merger was structured in this way so as to permit the facilities and services of Miles Memorial Hospital to be covered by St. Andrews Hospital's critical access hospital designation for Medicare and Medicaid purposes. The Centers for Medicare and Medicaid Services (CMS) has provided St. Andrews Hospital with preliminary approval in its regulatory parlance to "relocate" its service area to include Miles Memorial Hospital.

The details of the transaction are as follows:

- Effective 12:01 am October 1, 2013 Lincoln County HealthCare merged Miles Memorial Hospital and St. Andrews Hospital. St. Andrews Hospital is the surviving entity and has undergone a name change to "LincolnHealth."
- Ownership and control, for Certificate of Need purposes, of the entity formerly known as St. Andrews Hospital, now renamed LincolnHealth, continues to reside with Lincoln County HealthCare, the sole corporate member of LincolnHealth, and ultimately with MaineHealth, Lincoln County HealthCare's sole corporate member.
- The entity formerly known as St. Andrews Hospital, now renamed LincolnHealth, has maintained its State of Maine hospital license, CMS' provider agreement and Critical Access Hospital designation. The Department has issued a conditional license confirming that LincolnHealth's services are broad enough to cover the services offered at the former Miles Memorial Hospital.
- LincolnHealth is operating a maximum of 25 licensed acute care and swing beds and providing 24-hour emergency services at its Damariscotta campus (the former Miles Memorial Hospital campus). The St. Andrews Campus located in Boothbay Harbor continues to support LincolnHealth's delivery of outpatient and ambulatory care.

II. PROJECT DESCRIPTION:

The Certificate of Need Unit determined that both the January 1, 2008 formation of Lincoln County Health Care and the October 1, 2013 merger of Miles Memorial Hospital and St. Andrews to form LincolnHealth are subject to CON review. These transactions are described above.

III. HIGHLIGHTS:

Letter of Intent dated:	October 1, 2013
Technical Assistance meeting held:	Waived by Applicant
CON application filed:	November 15, 2013
CON application certified complete:	November 15, 2013
Public Hearing held:	December 19, 2013
Close of Public Record:	January 22, 2014
Preliminary Analysis released:	March 14, 2014
Record Closed:	April 4, 2014

IV. PUBLIC COMMENTS RECEIVED IN RESPONSE TO THE PRELIMINARY ANALYSIS:

Following the release of the preliminary analysis on March 14, 2014, the department received a number of comments ranging from questions regarding the legality of the proceedings to comments related to the determinations made in the preliminary analysis. The comments regarding health, safety and welfare are being addressed here. A number of commenters asserted that the department lacked the legal ability to review this proposal. To the contrary, the Certificate of Need Unit believes that the Department does have the ability to review this proposal under 22 M.R.S. §329 (1) and (3).

Comment: The Preliminary Analysis failed to recommend a sufficient number of hospital beds to accommodate the needs of the region. By transferring the CAH designation to Miles, it will reduce the number of beds in Lincoln County from the already low 1.36 beds/1000 (permanent residents) to ~0.45 during the tourist season. If the average census at Miles is 21-22, and beds are capped at 25, there is no surge capacity for flu season or unexpected outbreaks, or even for a multi-patient trauma scenario, such as multi-vehicle accident. Acting to worsen the already low percentage of hospital beds per person is even more irrational given that Lincoln County has the oldest population in Maine and also has surprisingly high health care needs, well-documented in the University of New England's Lincoln County Health Needs Assessment Study. The Preliminary Analysis ignored the likely excess injuries and deaths that will occur due to the delays in care that will result from the closing of the St. Andrews Hospital Emergency Department. In addition to the added travel, Rt. 27 is recognized by the state as being one of the most dangerous roads. It is stressful to navigate under the best of circumstances, let alone at night or in the severe storms that have occurred regularly. **CONU response:** The concerns of the populace are warranted; however, the determination of Critical Access Hospital status is determined by the Centers of Medicaid/Medicare Services. The applicant demonstrated that based on current usage the facility will achieve about an 80% occupancy level. The applicant has demonstrated that the current patterns of admissions reflect the ability of the 25 bed facility to meet most of the needs of the community.

Comment: The Preliminary Analysis failed to take into account the need for nursing beds in the Boothbay Region. Because of the inadequate numbers of skilled nursing and rehab beds on the peninsula, a number of residents have been forced to go to Rockland, Brunswick, and the Portland area for their recoveries. There are a number of studies that show that being isolated far from family and friends has an adverse impact on patients. Compounding the patient's isolation, inadequate nursing home beds in Boothbay Harbor puts an enormous burden on families, too, many of whom can ill afford time off work, gas or lodging to travel off the peninsula to visit their loved ones. Stripping the Boothbay Harbor facility of its skilled nursing beds and hospice was especially cruel, forcing ill or dying patients to be isolated far from the friends and family whose support is a crucial part of their care. **CONU response:** The closing of the Boothbay area acute beds and swing beds occurred significantly earlier than the decision to apply to move the critical access hospital designation. Additionally, the number of critically ill and injured persons utilizing the services of the emergency department has not been demonstrated to rise to level where emergency department coverage is considered effective. The applicants demonstrated that clinical staff has expressed concern about their continued clinical competency given the small

number of critically ill patients that have utilized the emergency room. The frequency of severe cases was reported to be less than 2 individuals every two weeks. CONU is proposing an additional condition for consideration at this time. In consideration for the large savings that the applicant has attributed to this proposal (please see next comment), it appears reasonable that the applicant provide a 24/7 urgent care option in the Boothbay community. Therefore, the CONU is recommending that the following additional condition be included:

Condition: The applicant will provide an urgent care service in the Boothbay community beginning within 3 months of approval of this application, this urgent care service must be staffed and available 24 hours a day, 7 days a week for a period of no less than:

1. 3 years, or;
2. 2 years, if the then certificate holder has demonstrated that utilization has been less than adequate to offset marginal operating costs less \$500,000 for the prior 12 months, or
3. 18 months, if the then certificate holder has demonstrated that utilization has been less than adequate to offset marginal operating costs less \$1,000,000 for the prior 12 months.

Review of this consideration, if requested before three years will include public notice and a reduced 5 day comment period. Approval of a change in operating hours would occur no less than 60 days after expiration of the time frames considered above.

Comment: The Preliminary Analysis did not accurately consider cost savings. While there *may* be savings to LCH, it ignores the overall cost to LincolnHealth's service area -- which is the truer cost of medical care in the community. LCH has simply taken costs which were formerly internal to LCH, and foisted them off onto the community at large. The most easily visible [and egregious] example of this is the additional cost of additional ambulance service incurred by the Peninsula towns. Other, more indirect costs include more transfers out due to the inadequate number of beds and the need for family members to incur burdensome travel expenses to be with loved ones who are in nursing/rehab beds that are no longer located at St. Andrews Hospital's. When these externalized costs are accounted for, the true cost of medical care in LCH's service area may well have increased! One final commenter discussed the financial representations provided by local selectman, hospital executives and press reports as misleading and not representative of the true financial picture of the financial status of St. Andrews Hospital. **CONU Response:** The applicants have identified savings of nearly \$7 million annually even considering additional expenditures to improve EMT training and donations. The annual savings to the hospital system are expected to reduce, in the long-term, insurance costs for health care in the community as demonstrated by the comments from BIW, a healthcare insurance payer in the community. The additional expenses for the towns that were represented in these comments are much less than the savings expected from the proposed action. The financial review is discussed in great detail in the preliminary analysis. The final commenters' description of the financial position of the Boothbay hospital can best be explained by stating that St. Andrews Hospital has consistently shown an operating loss. Under its operations as a business, St. Andrews consistently has not made a profit. Sometimes when combined with income from its investments and nearly always because of the generous charitable support of community member and others the hospital increases its net assets. The prolonged desire to operate a limited utility and relatively expensive hospital at an operating loss is best determined by the board of the operating

hospital. The CONU has authority under M.R.S. §329 to review the changes to services. If the proposal was simply to close the existing hospital in Boothbay the CONU would be unable to act. The application and the review have clearly suggested a better course of action than to just close the hospital.

CONU concluded that the issues presented by the commenters have been addressed in the preliminary analysis or here in the briefing memo and through the suggested inclusion of three conditions as described in this section or the appropriate sections below. All of the conditions are included in section **VII Recommendation**.

V. CONU ANALYSIS/APPLICANTS COMMENTS:

i. Fit, Willing and Able:

A. Lincoln County Health Care Acquisition of Control (2007)

Management and officers of Lincoln County HealthCare (LCHC) will be the operators of LincolnHealth. To determine now, if LCHC is fit, willing and able to operate the two hospitals in a manner consistent with the applicable standard would be irrelevant given the passage of time and since, as presented in greater detail in the corresponding section of the preliminary analysis, Lincoln County Health has operated the two hospitals within regulatory guidelines. Records available from the Medical Facilities unit indicate that seven investigated complaints were processed regarding St. Andrews Hospital during 2004-2006 with two complaints regarding EMTALA being substantiated. In 2007-2013, seven additional investigated complaints have been received with none being substantiated. During the 2004-2006 time period Miles Hospital had seven unsubstantiated complaints. Miles was the subject of 17 complaint investigations; in 2007-2013 all complaints were unsubstantiated.

B. LincolnHealth (2013)

LincolnHealth is the new name for what was St. Andrews Hospital. Under the CON statute, this organization is acquiring control of Miles Memorial Hospital and Cove's Edge.

In order to determine if the applicant (LincolnHealth) is fit, willing and able, CONU reviewed three measures of quality for Miles Memorial Hospital and St. Andrews Hospital. This is done because the acquiring organization must demonstrate the capacity to continue the practices of the acquired facilities. In this instance, the officers in charge of the facilities will be transitioning to the new organization as well. These quality measures are available at <http://www.hospitalcompare.hhs.gov>.

ii. Economic Feasibility:

Because the organization of Lincoln County HealthCare was completed prior to the application for a CON, CONU did not deem this standard to be met. Consequently, the financial stability of the two hospital organizations was assessed. The two hospitals represent nearly all of the assets of the new LincolnHealth and therefore should reflect the operations of LincolnHealth when combined. Therefore, the CONU analyzed both the 2007 and 2013 transaction together.

Lincoln County HealthCare

LCHC provided information about three major categories of annual savings achieved through the formation of Lincoln County HealthCare in 2008.

- 1) Salary and Benefits annual savings of \$589,000 due to consolidating senior leadership functions.
- 2) Program Integration annual savings of \$706,000 due to consolidation of long term care, development functions, surgical services and home health.
- 3) Goods and Services annual savings of \$314,500 due to reductions in contracts, audit fees, insurance, medical supplies and food products.

Since the two hospitals have demonstrated the financial feasibility of the individual hospitals, it is reasonable to conclude that the hospitals would have performed similarly had the application been filed on a timely basis.

LincolnHealth

Combining the two hospitals into a single entity, LincolnHealth, is expected to reduce operating costs by \$6.3 million and receive additional reimbursement of \$5.2 million due to LincolnHealth's pending status as a critical access hospital. (Critical Access Hospitals receive enhanced payments for Medicare and MaineCare patients which make up a larger percentage of patients in rural hospitals. Failure to receive approval for critical access status could have significant adverse effects on financial projections.) Effective October 2013 Lincoln County HealthCare announced price reductions of \$7.7 million dollars. An analysis of Lincoln County HealthCare, Inc. 2012 audited financial statements shows that they have over \$3,000,000 in cash and investments. This coupled with the financial strength of their parent company (MaineHealth) will allow them to support operations in the event that financial projections do not meet expectations.

Nursing Home Operations

Gregory Wing of St. Andrews Village and Cove's Edge have provided nursing home services for many years. There will be no changes to the licensed capacity or changes to services provided as a result of this transaction. As of February 21, 2014 there is a pending request to update the license for Gregory Wing from a 6-bed distinct unit skilled nursing wing with 24 nursing beds to 30 dually licensed SNF/NF beds. This change was prompted, in part, by the call for additional rehabilitation options on the Boothbay Peninsula at the Public Hearing. Lincoln County HealthCare has operated two nursing homes since its inception on January 1, 2008. Cove's Edge will continue to operate as a 76 SNF/NF and Gregory Wing of St. Andrews will remain 6 beds SNF and 24 bed NF facilities pending the change in licensure.

Changing Laws and Regulations

Certificate of Need Unit staff is not aware of any imminent or proposed changes in laws and regulations that would affect the project, except for federal health care reform as part of the Affordable Care Act (ACA). The impact of health reform as part of the ACA has not been determined.

Deeming of Standard

As provided for at 22 M.R.S. §335 (7)(B), if the applicant is a provider of health care services that are substantially similar to those services being reviewed and is licensed in the State, the applicant is deemed to have fulfilled the requirements of this standard if the services provided in the State by the applicant during the most recent 3-year period are of similar size and scope and are consistent with applicable licensing and certification standards. Since LCHC did not file a timely application prior to 2008, CONU is not accepting the applicability of deeming to either project.

St. Andrews received preliminary CMS approval to relocate and combine with Miles Memorial Hospital on June 27, 2013. A final Certificate of Need determination can only be made after the relocation is completed and receives final approval from CMS. If the new combined entity, LincolnHealth does not receive approval and retain its Critical Access status designation the underlying assumptions regarding financial projections will not remain valid. As stated earlier, Critical Access Hospitals receive enhanced MaineCare and Medicare reimbursement. This would also remove the cap of 25 beds which could affect the licensed or certified bed capacity approved in the certificate of need. Due to these uncertainties, CONU is proposing a condition below.

CONU concludes that the applicant has met their burden required by this standard with the inclusion of the following condition:

Condition: The applicant is to report on the status of final Critical Access approval for LincolnHealth every 90 days until final approval is received or denied beginning with the date the Certificate of Need was approved.

iii. Public Need:

Determining both the applicants' ability to meet the standards relevant to this section relies on a thorough discussion of the service area. This analysis began with an evaluation of the St. Andrews Service area for inpatient services. Based on this data, CONU identified the St. Andrews service area as the communities of Boothbay, Boothbay Harbor, East Boothbay, Edgecomb, West Boothbay, Trevett and Southport. These services existed prior to 2008 and remained in some fashion through 2010. MHDO data used for this analysis indicated 19 admissions in 2011. This data also shows that the Miles Hospital location (Damariscotta) has been able to meet the needs of residents and visitors to the Boothbay peninsular region.

LincolnHealth has implemented many system-wide initiatives to provide inpatient, outpatient, chronic and acute health care services to the people of Lincoln County, Maine. The applicant submitted a copy of MaineHealth's Community Benefit Report as part of the Certificate of Need application. This publication describes in detail the many ongoing community programs conducted by the MaineHealth network. This project will substantially address specific health problems as measured by health needs in the Lincoln County area specifically a high incidence of smoking related diseases, diabetes, substance abuse problems and mental health issues.

Emergency Department Services

Of vital importance to many of the persons commenting on these two projects is the impact on the availability of emergency care. As part of this application, LincolnHealth has changed the availability of emergency care. 24-hour emergency care was discontinued at the St. Andrews campus and relocated to the Miles Hospital campus. 24-hour emergency care has been replaced by the St. Andrews Urgent Care Center which operates from 8 a.m. to 8 p.m. Lincoln County HealthCare predicts that services will cost approximately 30% less while the same trained physicians and nurses who staffed the emergency room will be on site. Patients with non-life threatening injuries can be treated at the Urgent Care Center (This is expected to serve the needs of more than 80% of the patients previously seen at the St. Andrews Emergency Department). The applicant had stated that most critically ill patients were transported to another medical center for treatment. This part of the health care delivery model has not changed. In its response to public comments regarding the reorganization of Lincoln County HealthCare MaineHealth submitted the following information:

"It is important to note that every critically ill or injured patient that was being seen in the St. Andrews Emergency Department required transportation to another facility for definitive care. In fact the most critically ill or injured patients were and continue to be the most likely patients to travel the farthest to receive definitive care only available at a tertiary or quaternary medical center such as Maine Medical Center."

"For serious emergencies, the Boothbay Region Ambulance Service and Life Flight are staffed by highly trained, professional EMS personnel who can quickly and efficiently transport patients to the facility with the most appropriate level of emergency care."

"The Urgent Care Center is open from 8:00 am to 8:00 pm daily and is staffed with 1 Physician, 1 Registered Nurse and 1 Technician. During the summer season from Memorial Day through the end of September a second Registered Nurse is added to the staff from 10:00 am until 6:00 pm."

"This is the same staffing pattern and seasonal adjustment that was followed by the St. Andrews Emergency Department and has been demonstrated to adequately address patient needs."

Emergency Medical Services

The closing of the 24-Hour Emergency Department will place more of a burden on ambulance services. The Boothbay Region Ambulance Service is responsible for quickly and efficiently transporting patients to the most appropriate location for treatment when a serious emergency occurs.

In its response to public comments regarding the reorganization of Lincoln County HealthCare MaineHealth submitted the following information:

“Lincoln County HealthCare is committed to partnering with the Boothbay Region Ambulance Service to continue to enhance the excellent emergency medical response system. Contemporary emergency medicine practice emphasizes beginning delivery of care with the arrival of trained, qualified Emergency Medicine Technicians (EMTs), not waiting for arrival at a hospital Emergency Department.”

“Lincoln County HealthCare offered tuition support to Lincoln County Emergency Medical Technicians (EMT) so they could upgrade their certification from entry-level EMT-Basic to the Advance-Level Emergency Medical Technician with Intermediate Life Support capabilities. We provided in-ambulance I-Pad systems to improve pre-hospital communications between EMS personnel and emergency medicine physicians during transport to ensure a better standard of care. Lincoln County HealthCare also provided \$250,000 in unrestricted gifts to the three communities in the Boothbay Region that could be used to reduce any need for a tax increase to these residents based on reported changes in the Boothbay Region Ambulance Service budget.”

In reviewing the availability of emergency care to the residents of the service area, it is clear that the former Miles location will continue to adequately provide emergency services from the geographic area where Miles has traditionally drawn emergency service patients. LincolnHealth has provided data showing that there are a small number of individuals that will be impacted by this change. While these individuals may face more travel time to another facility for emergency care access to care has not been significantly impacted.

Quality and Safety Concerns

Clinical concerns have been suggested as a reason for consolidating emergency services at the Damariscotta campus. Decreasing patient volumes pose a risk to patient safety and overall quality. The concept of clinical competency suggests that the more frequently a procedure is performed the more competent the physician becomes. Numerous studies available on the PubMed website (<http://www.ncbi.nlm.nih.gov/pubmed/>) indicate a direct correlation between high volume hospitals and superior outcomes. For example a study entitled *Surgeon volume as an indicator of outcomes after carotid endarterectomy: an effect independent of specialty practice and hospital volume* shows a higher incidence of mortality among low volume surgeons (1.1%) vs high volume surgeons (.44%) The incidence of postoperative stroke was 1.14% for high-volume surgeons and 2.03% for low-volume surgeons. The study concludes that health policy efforts should focus on reducing the number of low-volume surgeons, regardless of surgeon specialty

Skilled Nursing Facility Care

There was significant public concern over the lack of skilled rehabilitative care beds on the peninsula subsequent to the changes outlined by LincolnHealth. According to the Older Adults and Adults with Physical Disabilities: Population and Service use Trends in Maine 2012 Edition published by the Muskie School of Public Service Lincoln County has 18 nursing home beds per 1,000 persons age 65 and above. The State average is 33 beds per 1,000 persons age 65 and above. The 65 – 74 year old population is expected to grow by 45% by 2022. The 75-84 age groups are expected to increase by 70% and the 85+ group is expected to increase by 20%. Lincoln County HealthCare has recognized the need for additional skilled beds in Lincoln County and has filed with the Department of Health and Human Services a request to dually license all thirty nursing facility beds at the Gregory Wing of St. Andrews Village for SNF and NF levels of care. Currently only six of the Gregory Wing's thirty beds were licensed for SNF care. This will allow Lincoln County residents discharged from the hospital to receive rehabilitative services closer to home. This will have a positive impact on the health status indicators of the population to be served.

Inpatient Care

Concentrating inpatient care at the Miles Campus is expected to improve patient safety and increases quality due to the availability of nurses, specialty physicians, and lab technicians. A large team of providers is available to take care of the most critically ill. In 2011, the combined average daily census (ADC) was 16.5. LincolnHealth's licensed capacity is 25. The target occupancy rate for Miles and St. Andrews combined ADC is 71% or approximately 18 beds per night.

The consolidation of 24-hour inpatient and emergency care at LincolnHealth's Damariscotta campus creates a higher quality and more sustainable model for delivering inpatient care while reducing quality risks associated with low volume. This provides demonstrable improvements in quality and outcome measures applicable to the services proposed in the project.

The applicant considered the impact of seasonal demand due to the number of summer residents and visitors in Lincoln County. Miles and St. Andrews experienced peak demand in February-March with a 20.9 and 21.2 average daily census and heightened demand in August with a 21.0 average daily census. Demand is expected to be adequately served by an inpatient capacity of 25 beds. LincolnHealth has demonstrated its ability to provide inpatient services in accordance with the standard.

All clinical services provided by Miles and St. Andrews prior to the merger continue and are accessible to all residents and visitors. CONU acknowledges that some patients may have to travel a greater distance to achieve the same services.

There have been specific concerns regarding the high incidence of smoking related disease, diabetes, substance abuse problems and mental health issues in the Lincoln County area that require ongoing monitoring. A condition is necessary to ensure that the impact of community programs instituted to reduce these health issues will be as effective as forecast by the applicant.

CONU concludes that the applicant has demonstrated its compliance with this standard subject to the inclusion of the following condition:

Condition: The applicant is to report improvements in quality and outcome measures related to the community services instituted to reduce smoking related diseases, diabetes, substance abuse and mental health issues in Lincoln County. This report will be required on an annual basis within 90 days of its fiscal year end beginning with the time period when the Certificate of Need was approved until a full three years have elapsed since the date of the project completion.

iv. Orderly and Economic Development:

The formation of Lincoln County HealthCare and the subsequent ability to reduce managerial and administrative costs and coordinate clinical services resulted in a savings of \$3.2 million in the first two years of operations that were achieved by 2010 following the 2008 formation.

The consolidation of inpatient and emergency department services at LincolnHealth's Damariscotta campus is expected to result in a decrease of \$6.3 million dollars in operating costs, enhanced Medicare reimbursement of \$5.2 million (if Critical Access hospital designation is approved by CMS) which will have a positive impact on total health care expenditures in the Lincoln County area. No additional need for State funding is anticipated as a result of this project because decreased costs will offset the enhanced reimbursement of the Critical Access Hospital. As stated in the public need section of his application small hospitals are affiliating with larger health care systems throughout the country in order to achieve financial and clinical benefits. Consolidation is taking place to avoid duplications of services. It is highly unlikely that a more effective, more accessible or less costly alternative technology or method of service delivery will become available.

CONU concludes that the applicant has demonstrated its compliance with this standard.

v. Outcomes and Quality of Care:

The establishment of Lincoln County HealthCare enabled the development of a strong Quality and Performance Improvement Program across the spectrum of hospital, senior living and physician services. In 2011 Miles Memorial Hospital was one of the first 3 hospitals nationally to earn a Top Rural Hospital award by the Leap Frog Group which rates hospitals based on quality and patient safety. Miles received this award again in 2013.

The merger of Miles and St. Andrews into LincolnHealth resulted in a consolidation of inpatient and emergency department services on the Damariscotta campus. As discussed in the public need section of this analysis this consolidation creates a higher quality and more sustainable model for delivering urgent and emergency care and inpatient care while avoiding risks to quality and patient safety due to low volume.

No new services have been developed due to this project and LincolnHealth's service area remains Lincoln County. This project will have no impact on other providers' quality of care.

A critical component of this project is the implementation of community services to address chronic diseases in the Lincoln County area. It is important that CONU monitor the results of these programs.

CONU concludes that the applicant has demonstrated its compliance with this standard subject to the inclusion of the following condition.

Condition: The applicant is to report improvements in quality and outcome measures related to the community services instituted to reduce smoking related diseases, diabetes, substance abuse, mental health and other chronic disease issues in Lincoln County. This report will be required on an annual basis within 90 days of its fiscal year end beginning with the time when the Certificate of Need was approved until a full three years have elapsed since the date of the project completion.

vi. Service Utilization:

This project will not result in an inappropriate increase in service utilization in the Lincoln County area. In fact, due to the merger inpatient services will be consolidated at the Damariscotta campus and licensed beds will be reduced from 63 beds to 25 acute care/swing beds in accordance with critical access hospital requirements. 24 hour emergency services will be eliminated and replaced with an urgent care unit at the Boothbay Harbor campus. Both Lincoln County HealthCare and LincolnHealth participate in MaineHealth's health status improvement, quality initiatives and clinical integration with the ultimate goal of positively impacting utilization.

CONU concludes that the applicant has demonstrated its compliance with this standard.

VI. CONCLUSION:

For all the reasons set forth in the Preliminary Analysis and in the record, CONU concludes that the review criteria have been satisfied. CONU recommends the approval of the CON with conditions.

VII. RECOMMENDATION:

CONU recommends this application be **Approved with conditions.**

The **conditions** include:

The applicant (LincolnHealth) is to report on the status of final Critical Access approval for LincolnHealth every 90 days until final approval is received or denied beginning with the date the Certificate of Need was approved.

The applicant (LincolnHealth) is to report improvements in quality and outcome measures related to the community services instituted to reduce smoking related diseases, diabetes, substance abuse, mental health issues and other chronic diseases in Lincoln County. This report will be required on an annual basis within 90 days of its fiscal year end beginning with the time when the Certificate of Need was approved until a full three years have elapsed since the date of the project completion.

The applicant will provide an urgent care service in the Boothbay community beginning within 3 months of approval of this application, this urgent care service must be staffed and available 24 hours per day, 7 days a week for a period of no less than:

- 3 years, or;
- 2 years, if the then certificate holder has demonstrated that utilization has been less than adequate to offset marginal operating costs less \$500,000 for the prior 12 months, or
- 18 months, if the then certificate holder has demonstrated that utilization has been less than adequate to offset marginal operating costs less \$1,000,000 for the prior 12 months.

Review of this consideration, if requested before three years will include public notice and a reduced 5 day comment period. Approval of change in operating hours would occur no less than 60 days after expiration of the time frames considered above.