

MaineHealth

January 8, 2014

Larry Carbonneau, Manager
Health Care Oversight
Division of Licensing and Regulatory Services
Department of Health and Human Services
State House Station # 11
41 Anthony Avenue
Augusta, Maine 04333-0011

RE: MaineHealth and Franklin Community Health Network
Acquisition of Control of Franklin Community Health Network
Letter of Intent

Dear Mr. Carbonneau:

MaineHealth and Franklin Community Health Network (FCHN) are requesting a ruling from the Department regarding the applicability of the Certificate of Need Program to MaineHealth's proposed acquisition of control of FCHN.

If the Department determines that this acquisition is subject to Certificate of Need review and approval, MaineHealth and FCHN respectfully request that the Department deem the project to be qualified for the simplified review and approval process as described in the Maine Certificate of Need Act of 2002, 22 M.R.S.A. § 336.

MaineHealth is a non-profit § 501 (c) (3) health care corporation headquartered in Portland, Maine. MaineHealth is the ultimate parent entity for various Maine and New Hampshire based hospitals and health care provider organizations.

Franklin Community Health Network (FCHN) is a non-profit § 501 (c) (3) health care corporation located in Farmington, Maine, providing high quality health care services for the residents and visitors of Franklin County and surrounding communities.

The transaction contemplates FCHN becoming a member of the MaineHealth system, which constitutes an acquisition of control within the meaning of 22 M.R.S.A. § 329 (1).

FCHN will be maintained as a healthcare organization in its current form. Responsibility for the day-to-day operational control of FCHN will reside with the FCHN, subject to ultimate oversight by MaineHealth. All property of FCHN pre-closing will remain the property of FCHN post-closing. FCHN will retain its tax-exempt charitable status. Endowment funds of FCHN, including funds held in trust or otherwise for the benefit of FCHN or its subsidiaries will remain assets of FCHN.

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FCHN will have access to shared administrative resources of the MaineHealth system, including purchasing, legal services, financial services, strategic planning, program development, marketing, information services and human resource management. FCHN will also participate in MaineHealth's health benefit and workers' compensation plans, and certain insurance coverage.

There is no capital expenditure requiring a Certificate of Need as described in 22 M.R.S.A. § 329 (3) involved in this transaction. There are no incremental third year operating costs associated with this transaction.

Qualification for Simplified Review

The applicants believe that this transaction qualifies for simplified review since it primarily involves the maintenance of a health facility as defined in 22 M.R.S.A. § 336 (1) and acquisition of control as defined in 22 M.R.S.A. § 336 (3).

Maintenance Project

The proposed transaction addresses the requirements (in italicized text) to qualify for simplified review as a maintenance project in the following manner:

- (A) *Will result in no or a minimal additional expense to the public or to the health care facility's clients.*

MaineHealth and FCHN anticipate that FCHN's becoming a member of MaineHealth will result in no additional expense to the public or to HDGD's clients.

- (B) *Will be in compliance with other applicable State and local laws and regulations.*

FCHN currently operates in compliance with applicable State and local laws and regulations; this transaction will not change that compliance.

- (C) *Will significantly improve or, in the alternative, not significantly adversely affect the health and welfare of any person currently being served by the health care facility.*

MaineHealth and its member organizations consistently have demonstrated their commitment to quality improvement. FCHN will be held to the same expectations as other MaineHealth members. As a member of MaineHealth, FCHN will participate in the development and implementation of MaineHealth health status improvement, clinical integration, and quality improvement initiatives.

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Acquisition of Control

The proposed transaction addresses the requirements (in italicized text) to qualify for simplified review as an acquisition of control project in the following manner:

(A) *Consists of a management agreement or similar arrangement and*

FCHN's membership in MaineHealth is similar to the arrangements that are the basis for other local health systems becoming members of MaineHealth that have been reviewed and approved by the Department.

(B) *Primarily involves the day-to-day operation of the facility in its current form*

The transaction requires no change in the day-to-day operation of FCHN.

(C) *is economically feasible in light of its impact on:*

(1) *The operating budget of the facility and the applicant; and*

The transaction results in no net increase in the operating budgets of FCHN or the applicant.

(2) *The applicant's ability to operate the facility without increases in the facility's rates beyond those that would otherwise occur absent the acquisition.*

The transaction results in no net increase in FCHN's rates beyond those that would otherwise occur absent the transaction.

MaineHealth and Franklin Community Health Network also seek to arrange a Technical Assistance meeting to assist the Department in understanding the proposal and to receive guidance from the Department concerning the nature, extent and format of the application, documentary evidence, statistical data and financial data required by the Department to evaluate the application. We will be contacting you shortly to schedule this meeting.

Please feel free to contact me if you have any questions; I may be reached by telephone at 207-662-2451 or by email at linehr@mmc.org.

Sincerely,



Richard M. Linehan
Director of Planning