My name is Nancy Heaton and I am the CEO of the Foundation for Community Health ("FCH"). FCH is a Connecticut not-for-profit created in 2003 to receive the assets from the sale and conversion of the original Sharon Hospital (the "Hospital") to a for-profit hospital owned by Essent Healthcare.

FCH is dedicated to improving the health and wellbeing of the residents in our service area, especially those most vulnerable. Our service area encompasses 17 small rural towns located in northwest Connecticut and eastern Dutchess and Columbia Counties in New York State, in essence replicating the service area of Sharon Hospital.

In approving this first hospital conversion in Connecticut, the Attorney General’s decision included language to ensure that FCH did not fund anything that might supplant the Hospital’s normal operating responsibilities. This important clarification has been critical in fostering the Foundation’s philanthropic growth and development. FCH has been free to focus on creating a safety net of non-hospital based initiatives, for example: investing in transportation, Rx Assistance, oral health, and behavioral health prevention services. The Foundation’s approach to its work is to be an active member in our communities, participating in numerous local networks and committees in order to be better able to respond to community health care needs. I share all of this to emphasize the historic separate nature of our work from that of Sharon Hospital in our shared community.
FCH's Position

FCH is not here today to offer a direct opinion on the merger between Western CT Health Network (WCHN) and Health Quest (HQ) but rather we are here to request that the Office of Health Strategy create a process by which it will be able to measure how well each Affiliate Hospital community retains a significant voice in determining and “tailoring the delivery of healthcare services to meet its needs” - a stated goal in this application.

As structured in these CON documents, the new parent organization Board will have the ultimate authority over all of the subordinate Boards, including the right to remove members. While this may make some sense on an operations level, it can, and already has shown to result in the reduction or even elimination of the ability of local communities to be heard regarding their concerns about services available at their hospital.

Currently, it is up to the culture of these large multi-facility health systems as to whether or not they are attentive to community level issues. Each hospital has a local Board comprised of concerned and interested residents, however, there is little in the governance documents to give them voice beyond perfunctory tasks that are primarily carried out by staff and presented to them for approval.

So while I am not here to weigh in on the value and benefits of this merger, I am here to provide you with some context as to how we at FCH have developed a concern specifically about Health Quest’s lack of interest in community engagement since it purchased Sharon Hospital. In addition we also have some ideas about how the Office of Health Strategy (OHS) might potentially improve and monitor local community engagement.

FCH Engagement with Health Quest

In 2017, two years after we were approached by Health Quest, FCH decided to enter into a $9 million multi-year Grant Agreement with Health Quest. The primary goal of this agreement was to convert Sharon Hospital back to a not-for-profit community-based hospital which we believed – with our support – would re-engage Sharon Hospital’s connection and responsiveness to our community.

We did not take the decision to partner with Health Quest lightly – the potential cost of the grant represented 40% of our total assets. Our decision was also not based on any apparent need of
Health Quest for our funding. Health Quest (“HQ”) was well-financed and more than capable to proceed without our financial support. Rather, FCH elected to proceed with the Grant Agreement for the following reasons:

- First, to incentivize HQ to invest specifically in Sharon Hospital, since HQ asserted repeatedly that our partnership was critical to their decision to acquire Sharon Hospital. The Hospital was not doing well financially by many accounts, due largely to neglect and mismanagement, reflecting its long distance “for-profit” absentee owners.

- Second, to support Sharon Hospital’s re-engagement with the community, returning the Hospital back into a “community-owned” asset. Third, we believed that we could use our credibility and reputation in the community to “jump start” the community’s support and use of the hospital, which had been lost under the previous ownership. This effort was to be realized though our role in recruiting and recommending the new Sharon Hospital Board as well as our role in co-leading a development campaign with HQ to raise the Capital Campaign funds described in our grant agreement, and to generate excitement and interest in the “new” non-profit hospital and what it wanted to do for the community.

- Lastly, and most importantly, we felt that this collaboration with HQ would establish a close working and integrated relationship between HQ, FCH and the communities we serve. So while our first efforts would be centered on the promotion of Health Quest’s immediate vision for Sharon Hospital, this effort was seen as a way to build and strengthen an open and transparent dialogue about how each of us can use our strengths to best address the health needs and concerns identified by the community.

We were very excited and looked forward to working together in this new way which could only enhance our efforts to improve the health and wellbeing of our community.

**Post-Closing Events**

The easy part was the conversion back to a not-for profit. That involved a due diligence process focused on learning and reviewing information about Health Quest to ensure it has the resources to support Sharon Hospital. In reliance on those HQ commitments, FCH wrote letters of support and testified in support at the Office of Health Care Access’s Public Hearing regarding the purchase of the Hospital by HealthQuest.
The hard part, it turned out, was re-engaging Sharon Hospital’s connection and responsiveness to the community, which two components of the grant agreement were designed to promote.

1. The FCH directed (but executed in collaboration with HQ) capital campaign to increase awareness and excitement about the “new” hospital which would have the added benefit of introducing HQ to a new and significant donor base;

2. And FCH’s selection of 14 of the 16 founding Sharon Hospital Board members (through 2 terms covering 6 years) in order to build a strong collaborative relationship between our two organizations and the community making it easier to identify and address community health needs.

Unfortunately, despite FCH’s best efforts to work with Health Quest, the vision for this partnership has not been realized. Repeated efforts to get HQ to provide basic information necessary to launch the critical capital fundraising campaign were not successful, and FCH was unable to proceed. In addition, members of the Hospital Board, recruited and recommended by FCH and approved by HQ, have been unsuccessful in obtaining important community information and a detailed strategic plan and vision for the Hospital, which is central to engaging the community. Health Quest has also discouraged any contact between the FCH and the Sharon Hospital Board.

After two years of working closely with HQ to develop the grant and one year with the agreement in place, no progress has been made. Given this situation, on May 18, 2018, the FCH Board made the difficult decision to formally notify Health Quest that it had been, and continues to be, in material breach of the Grant Agreement entered into as part of its acquisition of Sharon Hospital. This decision was made after prolonged and multiple attempts by members of our staff and FCH Board members to get Health Quest to provide the information only it could provide to carry out the community fundraising activities. This fundraising effort was a fundamental part of the Grant Agreement that was to “protect as much as possible the assets of FCH so that they could be used to further [its mission].” In addition, the May 18, 2018 letter notes FCH’s frustration with HQ in regard to creating an integrative relationship between Sharon Hospital, FCH and the communities that both entities serve.
As of today, this matter has not been resolved and our limited communication from Health Quest has indicated that HQ is prepared to litigate this matter with FCH, thereby putting all of our safety-net programs and services at risk.

**Additional Concerns**

As stated above FCH is not opposed to the proposed merger, provided the parties involved, in fact, follow through with their stated commitments in the CON proposal which articulate their belief in local communities having a voice in identifying local needs and determining local services.

Here are some specific concerns and/or suggestions I offer for your consideration as you make your decision regarding this CON application:

1. **The relationship of the proposal to the Applicant’s long range plan.**
   The State of Connecticut should request and assess the Applicant’s actual long range plan. This is something which has been missing from our work with HQ in connection with Sharon Hospital. In fact, our experience with regard to strategic planning is that HQ has a more opportunistic approach and does not like to be held accountable for planned commitments which may not come to fruition. This style might be useful at times, but if one wants to centralize operations but decentralize care to be responsive to local needs, then it is important to realize that local issues and circumstances do not change quickly and often need a dedicated long-term approach to address them. The local HQ Affiliate hospital boards along with community partners can help in determining those plans and monitoring their achievement.

2. **The impact of the merger on the interests of consumers.**
   FCH believes that if you want to understand whether the interests of consumers have been impacted it is important to listen to the consumers themselves. In this case, there are consumers here today who can speak to how they have been impacted by the acquisition of Sharon Hospital by HQ. We suggest that local Affiliate Hospital Boards or, if needed, an appointed Community Advisory Board should be entrusted with the responsibility of surveying and reporting to OHS on the interests of each hospital’s consumers on some periodic basis during the first 3 to 5 years of new ownership.
3. The contributions of the proposal to the quality, accessibility, and cost effectiveness of the healthcare delivery.

The language in the CON speaks extensively about the benefits of the two organizations, WCHN & HQ, joining forces regarding standardizing quality metrics, streamlining purchasing, etc. As this recent New York Times article, When Hospitals Merge to Save Money, Patients Often Pay More, point out, hospital consolidations rarely lead to consumer savings. Instead, larger hospital systems use their size and bargaining power to demand higher prices. In addition, it is not clear how each Affiliate Hospital will be able to participate in determining what is best for its communities. And there is no indication how the new ultimate parent, “NewCo”, will build in enough flexibility in their approach to governance and financial decisions to ensure that the differing communities are able to provide input about local needs and that NewCo is responsive to that input.

4. Changes in the Applicant’s current utilization.

The Applicants state that there are no changes planned to the services currently operating at all seven facilities with the exception of possibly terminating Sharon Hospital’s Obstetrics/Maternity services. While this may be true, it is also true that as of May 16th, 2018 there were no indications at Sharon Hospital that these services were going to be terminated – at least not at the State of the Hospital community presentation given that month. However, on July 6th, 2018, the Sharon Hospital staff reported to the community that the OBGYN Department was to be closed very soon due to declining births and subsequent safety issues. However, the CON application for this merger, dated June 6, 2018, mentions this potential closure, pointing to a lack of a willingness to be transparent, as well as a demonstration of poor communications on the part of HQ to its hospital employees and as well as its consumers.

The community-level anxiety produced by this lack of transparency and community engagement was unnecessary and its handling of its own staff in this matter have caused a warranted a general distrust of Health Quest by many in the community. Yesterday’s State of the Hospital presentation by Health Quest continued to use the language “for the foreseeable future” regarding how long the maternity services would be available at Sharon Hospital.
Conclusion

Based on its experience over the past three years, FCH would like to suggest that the Office of Health Strategy take into consideration the impact the complete loss of local governance powers and limited ability (if any) to influence decisions made by an “ultimate parent” Board that is two levels higher than it will be on the individual local Affiliate Hospital Boards. Some decisions may be great for the larger organization’s bottom-line and operations but may not be great at a local level. There is not significant evidence that such mergers actually produce cost-saving for the individual. Therefore, there should be a process by which both impacts are weighted and considered for the health of the larger population.

The local Hospital Affiliate Boards are the main connection to the local community, and if given enough information, authority and some flexibility they can ensure that their respective communities are heard and their needs addressed. If they are not able to perform these functions then a local Community Advisory Board structure should be developed. Solutions may require collaborating with local resources, as well as asking the community to support such an endeavor. This type of community and collaborative response to a problem is more likely to be successful if spearheaded by the local leadership.

It is hoped that the OHS will monitor the impact of this merger on the many measures described by the Applicants regarding cost, quality and leverage, etc. but also from the point of view of the residents of each local Affiliate Hospital.

Specific Suggestions

- First, it is critical to maintain the direct role of each Affiliate Hospital’s Board in the creation, implementation, and evaluation of the Community Needs Assessment and Implementation plans. In addition, they should also play a role in ensuring that these plans include a communication plan in order to keep the larger community aware of its goals, activities and outcomes.

- Second, the OHS should develop a set of metrics which can be reported on regularly regarding the larger entity’s actual responsiveness to each of its communities. How will they actually measure that each will have a “voice in tailoring the delivery of healthcare services to meet its needs” as stated in the CON proposal?
• Third, as presently designed, the local Hospital Affiliates are the main connection to the local community and if given enough information, authority and some flexibility, they can better ensure that their respective communities are heard. This might mean providing them with a larger role in approving strategic plans that impact their respective communities. As each community is different, for example, Sharon is a very rural community, local Hospital Boards are in a better position to provide a clear picture on how best to deliver services locally as well as where there may be other community partners who can collaborate and/or provide resources to a particular project.

• Fourth, in lieu of a strong local Hospital Board, Community Health Advisory Boards could be established to play a similar role. They could be staffed with a variety of public and private individuals and enterprises to act as a liaison between the community, the local hospital Board, the larger hospital system, and the Office of Health Strategy.

• Lastly, each local Hospital Affiliate Boards and/or potential Community Health Advisory Board, or maybe it is the Office of Health Strategy itself (think “listening tour”) should conduct at least one annual public meeting to report on the status of the Hospital and the larger health system. This report should include such topics as the current operating status of the hospital, the progress on the Community Health Needs Assessment Plan and its implementation, the approach and current status of its community benefits spending, and any progress or development of any strategic plans impacting that Hospital. In addition, the public would have an opportunity to share its perceptions of the hospital and its interactions with the community. A record of these proceedings and how they were advertised and organized would then be one tool to monitor the objectives and goals stated in this CON application.

Thank you for this opportunity today.