



STATE OF CONNECTICUT
OFFICE OF HEALTH CARE ACCESS

M. JODI RELL
GOVERNOR

CRISTINE A. VOGEL
COMMISSIONER

August 28, 2006

Stephen M. Cowherd, Esquire
Jeffers & Ireland, P.C.
55 Walls Drive
Fairfield, CT 06824

RE: Certificate of Need Determination 06-30806-DTR
John Dempsey Hospital
Proposal to Consolidate Ownership of Farmington Surgery Center, LLC

Dear Attorney Cowherd:

On July 26, 2006, the Office of Health Care Access ("OHCA") received your Certificate of Need ("CON") Determination request concerning the proposal of the University of Connecticut Health Center Finance Corporation ("UCHCFC"), on behalf of John Dempsey Hospital ("JDH"), to consolidate its ownership of the Farmington Surgery Center ("FSC") at a total capital expenditure of \$1,892,500.

1. The UCHCFC, on behalf of JDH, proposes to consolidate its ownership of the FSC, located on the Hospital's campus at 263 Farmington Avenue in Farmington, Connecticut.
2. On June 6, 2002, under Docket Number 01-535, OHCA authorized the UCHCFC and Health Resources International, LLC ("HRI") to establish the FSC.
3. There are also three separate physician members with minority interests in the FSC: Hartford Anesthesia Associates; West Hartford Podiatry Associates; and Roy Beebe, M.D.
4. In addition to its economic control, the UCHCFC has maintained operational control of the FSC through a Board of Managers. Clinical functions have, and will continue to be, overseen by a Medical Director, who serves as a full-time faculty member of the University of Connecticut School of Medicine and a member of the JDH medical staff.

5. The three physician members and HRI currently hold a percentage interest of 25.385%. The proposed change of ownership is being effected through a series of Purchase Agreements whereby UCHCFC will acquire the membership interests of each minority member. Under the Purchase Agreements the UCHCFC has agreed to provide the following payments:

Minority Member	Percentage Interest in FSC	Payment
HRI	22.3%	\$1,652,500
Hartford Anesthesia Associates	1.875%	150,000
West Hartford Podiatry Associates	0.75%	60,000
Roy Beebe, M.D.	0.375%	30,000
Total	25.3%	\$1,892,500

6. Under the proposal, the UCHCFC, on behalf of JDH, would become the sole member of the FSC for purposes of assuming 100% ownership and control of the surgery center.
7. The proposed change of ownership will result in the facility converting from for-profit to non-profit status and functioning as a fully integrated component of JDH's outpatient surgery department.
8. Each party also agrees to terminate the Amended and Restated Management Agreement where HRI was retained by FSC to provide management services to the surgery center. The termination of the Management Agreement was effective on June 30, 2006, with the parties having further agreed that HRI will be paid a set monthly fee to continue to manage FSC for a three-month transition period ending September 30, 2006.
9. UCHCFC expects that sole control of FSC will better enable the facility to further the clinical, research and educational mission of the University of Connecticut and JDH.
10. UCHCFC's 100% ownership of the FSC will allow the facility to:
- operate under JDH's acute care hospital license;
 - bill third-party payers at a more favorable provider-based rates; and
 - reduce the professional liability expenses and exposure as a result of the facility being covered under JDH's self-insured medical malpractice plan.
11. Section 19a-638 (a)(3) of the Connecticut General Statutes states "Each health care facility or institution which intends to transfer all or part of its ownership or control ... shall submit to the office, prior to the proposed date of such transfer or change. ... a request for permission to undertake such transfer or change ..."

Based on the above findings, OHCA has determined that the purchase of the minority interests in the FSC by the UHCFC, on behalf of JDH, does not change the current ownership or control of the surgery center. Therefore, a Certificate of Need is not required for the UHCFC, on behalf of JDH, to consolidate its ownership of the FSC.

If you have any questions concerning the above, please feel free to contact Laurie Greci, Associate Research Analyst, at (860) 418-7001.

Sincerely,

Signed by Cristine A. Vogel
Commissioner

Copy: Rose McLellan, License and Applications Supervisor, DPH, DHSR

CAV:lkg