



Via OHS Electronic CON Portal

May 27, 2022

Elisabeth A. Pimentel
Partner, Health Care and Tax-Exempt
Orgs. Garfunkel Wild, P.C.
350 Bedford Street, Ste.
406A Stamford, Connecticut
06901

Day Kimball Healthcare, Inc. d/b/a Day Kimball
Hospital 320 Pomfret Street
Putnam, Connecticut 06260

Covenant Health, Inc.
100 Ames Pond Drive, Ste. 102
Tewksbury, Massachusetts 01876

RE: Certificate of Need Application: Day Kimball Healthcare, Inc. d/b/a Day
Kimball Hospital & Covenant Health, Inc. / Docket No. 22-32538-CON
Transfer of Ownership of a Health Care Facility
First Completeness Letter

Dear Attorney Pimentel:

On April 29, 2022, the Health Systems Planning (“HSP”) Unit of the Office of Health Strategy (“OHS”) received a Certificate of Need (“CON”) application from Day Kimball Healthcare, Inc. d/b/a Day Kimball Hospital (“DKH”) and Covenant Health, Inc. (“Covenant”) (the “Applicants”) seeking authorization to transfer ownership of a health care facility, DKH to Covenant (the “Application”). OHS requests additional information pursuant to Connecticut General Statutes (“C.G.S.”) § 19a-639a(c)(1). Please provide responses to the questions and requests set forth below in both Word and PDF format as directed through OHS’ CON portal.

In providing your responses, please also paginate (bates number) and date your response (i.e., each page in its entirety). Repeat each OHS question and/or request before providing your response and reference “**Docket No.: 22-32538-CON.**”

Pursuant to C.G.S. § 19a-639a(c)(2), you must submit your response to this request for additional information no later than sixty (60) days after the date this request was transmitted. Therefore, the deadline for you to provide this additional information is **July 26, 2022, by 4:30 p.m. (EST)**, otherwise the Application will automatically be considered withdrawn.

Mailing Address: 450 Capitol Avenue, MS#51OHS, PO Box 340308, Hartford, CT 06134

Physical Address: 450 Capitol Avenue, Hartford, CT 06106

1. On page 17 of the Application, DKH and Covenant state that “Covenant provides pastoral care and mission-related services including a wide range of specialized services that other providers may choose not to provide due to inadequate reimbursement through public payment sources.” Please list those services.
2. According to pages 32-33 of the Application, some services currently offered by DKH will not be provided if the CON is approved as they do not align with the Ethical and Religious Directives for Catholic Health Care Services (“ERDs”).
 - a. How will DKH ensure reasonable access to the service(s) that will be terminated as a result of the proposal?
 - b. Will DKH provide referral sources for individuals seeking such services?
 - c. Will DKH provide transportation to another provider for those patients who present themselves at DKH seeking those services and, if so, will such transportation be free of charge? Does DKH have or plan to implement any transfer agreements?
 - d. Explain the FY2019 – FY2022 volume shift for these services. Is DKH already referring patients who are seeking some or all of these services to other providers? If yes, provide data showing where patients are being referred to.
3. Please provide copies of the ERDs and any applicable Canon Law. With regard to the ERDs, identify which sections Covenant expects will apply in connection with the termination of services currently offered by DKH.
4. On page 55 of the Application, Tables 3 and 4 show the average cost of inpatient admissions for commercially insured and self-pay patients.
 - a. Please explain the difference in cost between commercially insured and self-pay patients and why it is so significant.
 - b. Explain the increase in costs between FY2020 and FY2021.
5. Pages 724-726 of the Application show the organization chart pre- and post-transfer.
 - a. Will the other entities currently under DKH have changes to their policies, procedures, practices, etc. if the CON is approved? If so, please provide details.
 - b. Will those entities’ governing control change? If yes, please explain.
 - c. Will Covenant be acquiring the entities (including the Medical Group, home care, hospice and palliative care, and four health centers) under DKH either as part of this Application or through a separate CON application? If no, what are the Applicants’ plans for these other entities?
6. Have there been any quality concerns and/or quality-related incidents at DKH as a result of its financial circumstances? If yes, please describe what these concerns and/or quality-related incidents are and how they have been and are being addressed.
7. Is there an open corrective action plan (or plans) at DKH as a result of any Department of Public Health (“DPH”) site-visits or investigations? If yes, please provide the finding(s) and corrective action plan(s).

8. With respect to quality, please provide the following:
 - a. The measures and data that Covenant uses at other locations to track quality.
 - b. Any and all policies, procedures, and/or other similar documents that DKH will adopt if the Application is approved.
9. If the transaction is approved, what specific quality initiatives will be implemented by Covenant at DKH?
10. Do the current policies at DKH differ significantly from Covenant policies?
11. Has DKH suspended or terminated any services in the past five (5) years and, if so, please identify them as well as the date on which each was suspended or terminated.
12. Covenant plans to close its maternity and women's health service lines at St. Mary's Regional Medical Center in Lewiston, Maine, in July 2022.
 - a. Why is Covenant terminating these services at St. Mary's?
 - b. If the CON is approved, would Covenant seek to terminate DKH's maternity and women's health services? If so, when?
 - c. Does Covenant have plans or is it seeking to terminate these services at any of its other locations?
 - d. Other than the services identified in response to Question #2 and Question #11(a) above, is Covenant planning or currently seeking to terminate any other services at any of its other facilities?
13. What ten (10) services currently offered at DKH are losing the most money? For each service, provide the amount of money lost and the percentage of DKH's gross revenue this represents for each of the past five (5) years. This question is designed to include, but not be limited to, any services that may have been suspended or terminated without CON approval.
14. Please provide a 5-year plan. The plan should include, among other things, responses to the following questions:
 - a. Does Covenant plan to suspend or terminate any services at DKH other than those identified in response to Question #2 above?
 - b. Does Covenant plan to keep DKH as an acute care hospital?
 - c. In what ways will DKH's community health needs assessments guide or impact Covenant's plans for DKH?
 - d. What is Covenant's plan to ensure that DKH does not go bankrupt in the future?
 - e. What are Covenant's priorities for capital improvements at DKH beyond the EHR system, and what are the approximate costs that are anticipated for each?
 - f. What are DKH's capital needs?
 - g. What is Covenant's plan to ensure adequate clinical and non-clinical staffing of DKH?
 - h. Does Covenant have any plans to expand DKH's behavioral health services to address what has been described as an adolescent behavioral health crisis? If so, what are those plans?

15. DKH's CEO has stated: "We explored a partnership with several entities including Hartford HealthCare and Yale New Haven Health, but it was ultimately not a good fit for us, from a corporate standpoint and from a clinical alignment standpoint." Please state specifically why it was decided that those entities were not good fits, but that Covenant is.
16. According to the OHS Inventory, DKH has two MRI machines, one CT scanner, and one PET or PET/CT scanner. Please fill out the imaging acquisition supplemental form and upload with the First Completeness Letter Response.
17. Please provide all Exhibits, Schedules and Disclosures attached to the Affiliation Agreement dated November 16, 2021; the First Amendment to the Affiliation Agreement dated April 25, 2022; and any additional amendments thereto. In responding to this request, if any such documents are confidential in nature, you may provide them in redacted form on the public CON Portal and provide unredacted copies directly to the OHS by sending them to the email addresses listed below.
18. Will the affiliation of DKH and Covenant offer greater efficiencies and cost savings for DKH once it is integrated into a larger system such as Covenant? Provide an estimate of any anticipated cost savings that can be achieved at DKH for the first three (3) fiscal years post-transaction and identify the related expense categories associated with these savings.
19. Page 16 of the Application states that the Pension Benefit Guarantee Corporation (PBGC) notified Day Kimball Healthcare that their pension plan will be "terminated on August 30, 2020, subject to a settlement agreement between PBGC and DKH." Provide the following as it relates to the pension plan:
 - a. Did PBGC take over the pension plan in August of 2020?
 - b. Does DKH have to pay the \$3.2 million missed pension contribution to the PBGC?
 - c. Describe the current status of the pension plan that was terminated.
 - d. Explain if Covenant will be liable for any of the \$3.2 million missed contribution and, if so, in what amount.
20. Provide the FY 2021 consolidating AFS for Covenant Health, Inc. and Subsidiaries as the Application only has the FY 2020 AFS.
21. Provide OHS Table 6A, Historical Financial Indicators and Miscellaneous Data, for DKH.
22. In regard to the Financial Worksheet A for DKH, on pages 706 and 707 of the Application, provide the following:
 - a. Update the form to include FY 2022 projected amounts along with any updated assumptions;
 - b. Complete and submit a separate Financial Worksheet A for DKH for FY 2021 – FY 2025 with assumptions; and
 - c. Provide DKH's most recent credit rating from S&P, Moody's or Fitch.

23. Respond to the following as it relates to the DKH and Covenant combined Financial Worksheet A on page 708 of the Application:
- Update the form to include FY 2022 projected results;
 - Provide the fiscal year months used for the Covenant and DKH amounts;
 - Explain why the incremental amounts for Other Operating Expenses do not match those reported on DKH's Financial Worksheet A on page 706 of the Application;
 - Verify there is no lease expense as there is a sale-lease-back obligation for the hospital's medical office building;
 - Explain why there are no incremental principal payments in FYs 2023-FY 2025;
 - Provide Covenant's most recent credit rating from S&P, Moody's or Fitch.
24. The Application states on page 18 that "Covenant will assume certain DKH obligations in an amount up to approximately \$70.5 million not including required future capital commitments."
- Describe which liabilities, if any, may be retained by Day Kimball Healthcare and provide the related dollar amounts; and
 - What would happen if Day Kimball Healthcare is unable to satisfy any retained liabilities and what, if any contingencies are in place in the event that occurs; and
 - Describe the expected funding source(s) Covenant will be using for the EPIC conversion (\$35-\$40 million), the outstanding debt of (\$20.2 million), and the office building sale lease back obligation (\$9.3) million.
25. Pages 18 and 19 of the Application state that Covenant will at a minimum "spend two percent (2%) of DKH annual net revenue on grown and maintenance capital per year for the first three (3) years of the affiliation, exclusive of EPIC." Further the application indicates that after the first three (3) years, "Covenant will allocate capital to DKH in accordance with Covenant Board oversight and approval consistent with established capital allocation standards and priorities." Respond to the following:
- Considering DKH's recent financial hardships, provide a table listing the immediate needs for these capital allocations and the expected costs;
 - The typical capital allocation for other Covenant hospitals as a percentage of net revenue;
 - Explain if the Board of Directors of DKH will be able to make recommendations for the capital commitments;
 - If any medical equipment will be purchased; and
 - If there are plans to replace the chiller plant, upgrade the hospital's power system, the windows and other critical service enhancements which are needed as noted on page 16 of the Application and the expected costs of these upgrades.
26. Page 55 of the Application indicates there will be no change to "DKH's existing chargemaster and commercial contracts will remain in place." In regard to these commercial contracts post-transaction:
- Identify which contracts, if any, will be allowed to auto-renew or be terminated;
 - Describe how future commercial contracts will be negotiated for DKH;
 - Will DKH's commercial contracts be based on the costs and rate structure of DKH

or other Covenant hospitals?

27. Provide the missing supporting historical data and comparisons (i.e., cost to patient and impact on cost to the CT healthcare system) as requested in question #35, page 60 of the Application.
28. Regarding the Financial Indicators and Miscellaneous Data, OHS Table 6A, for DKH, on pages 60-62 of the Application, provide the following:
- Community Benefit amount for FY 2021 was not provided because it has “not yet filed.” Provide the missing amount if it is now available or provide the timeline for when it will be available.
 - The case mix indexes provided, for FYs 2019-2021, do not align with data submitted to OHS by DKH through the FYs 2019-2021 HRS filings as described in the chart below. Explain the difference and revise the table as applicable.

Description	2019	FY 2020	FY 2021
HRS Filings	1.1762	1.2796	1.3312
Table 6A	1.2936	1.4533	1.4914

- Complete and submit a separate Table 6A for DKH data only for FYs 2019-2021.
29. Regarding the Financial Indicators and Miscellaneous Data, OHS Table 6B, for Covenant, on pages 62-64 of the Application, provide supporting documentation for the calculations and results associated with the following statistics, capacity, and utilization numbers:
- Available bed occupancy
 - Community Benefit amount (total by fiscal year-IRS 990)
 - Charity Care expenses/recipients
 - 30-day readmission penalties & rates
 - Average daily census
 - Case Mix index

If there are any questions, please do not hesitate to contact us.

Sincerely,

Annaliese Faiella

Annaliese Faiella
Planning Analyst
Annaliese.Faiella@ct.gov

Jessica Rival
Health Care Analyst
Jessica.Rival@ct.gov