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#### VASSAR HEALTH CONNECTICUT, INC. D/B/A

#### SHARON HOSPITAL

Application for Termination of Inpatient Labor & Delivery Services

ORAL ARGUMENT ON PROPOSED FINAL DECISION DOCKET NO. 22-32511-CON

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#### SUMMARY OF ARGUMENT

Introduction and Overview of Exceptions

- 1. Proposed Decision Violates and Misapplies CON Guidelines
- 2. Proposed Decision Violates Legal Standards
- 3. Proposed Decision Findings Support the Application
- 4. Proposed Decision Conclusions are Clearly Erroneous and Arbitrary

#### Conclusion: Status Quo Is Untenable

#### INTRODUCTION AND OVERVIEW OF EXCEPTIONS

- Proposed Decision Violates and Misapplies CON Guidelines
  - Application satisfies all "three primary areas" of CON criteria.
  - Hearing Officer failed to apply relevant CON factors.
  - Hearing Officer imposed standards no termination of services could ever meet.
- Proposed Decision Violates Legal Standards
  - CON Decisions require Findings of Fact to be supported by substantial evidence and reasonable conclusions.
  - Hearing Officer ignored substantial unrebutted evidence.

### INTRODUCTION AND OVERVIEW OF EXCEPTIONS

- Proposed Decision's Findings of Fact Establish Need to Terminate L&D Services
  - Hearing Officer agrees:
    - L&D is resource-intensive, chronically **underutilized**, and **financially unsustainable**; and
    - Ample access to L&D services remains.
- Proposed Decision conclusions are clearly erroneous.
  - Disregards declining volume, aging demographics, massive financial losses.
  - Uses baseless/speculative concerns about access, quality and diversity to support denial.
  - Makes conclusions that are unsupported by substantial evidence.

### PROPOSED DECISION **VIOLATES** CON GUIDELINES

One of OHS' major functions is the administration of the Certificate of Need (CON) program, which regulates certain health care services in Connecticut. When health care services are initiated, terminated, or ownership of a health care provider is transferred, a CON application is often required. CON applications are meant to elicit information regarding three primary areas: public need, access to care and cost-effectiveness. Through the Certificate of Need program, OHS improves access to high-quality health services, minimizes unnecessary duplication of services, facilitates healthcare market stability, and helps contain the cost of healthcare. The CON program strives to ensure access for needed services while limiting duplication or excess capacity, which has been shown to increase health care costs for consumers--and, in turn, the state. The CON review process also considers the impact of a project on the health care consumers in a project's area. Additionally, a CON review will analyze whether the project is financially feasible for the Applicant and/or for the financial strength of the state as a whole.

CON Guidebook, page 6

- Public need is not served by forcing continuation of chronic low demand service without the specialty resources to handle high-risk deliveries.
- Ample access is preserved in region; patients already choose other hospitals.
- Five area hospitals operate L&D units with capacity to absorb volume.
- Forcing continued operation of low volume, high cost service destabilizes
  Sharon Hospital's future and increases healthcare costs.

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### PROPOSED DECISION **MISAPPLIES** CON GUIDELINES

- Failure to Consider/Assess Absence of Need.
  - Conclusion that C.G.S. §19a-639(a)(3) "is not applicable because there cannot be a clear public need for termination of services." (*Decision* at 28)
  - Conclusion disregards need guideline: "there is no population that can be served by the termination of services and even if there was, there cannot be a need for termination of services." (*Decision* at 34) (C.G.S. §19a-639(a)(7)).
- Service Termination does <u>not require</u> showing "improvement" in quality, access or cost.
  - Not reasonable to conclude that Sharon Hospital failed to "demonstrate that accessibility [quality and cost-effectiveness] of L&D Services will be improved with this termination." (*Decision* at 29, 32)

### PROPOSED DECISION **MISAPPLIES** CON GUIDELINES

- Requiring proof that service termination causes no change to existing services is an impossible and improper standard.
  - Conclusion that C.G.S §19a-639(a)(6) (Relevant Population and Payer Mix) is not met because Sharon Hospital "has not satisfactorily demonstrated that there would be no change in the provision of health care services to the relevant populations and payer mix." (*Decision* at 33)
- Denying service termination based on reduced number of providers and patient choice **lacks rational basis**.
  - Conclusion that: "If the Proposal is approved, there would be one (1) less health care provider in the area providing L&D Services and there would be "less diversity of health care providers and less patient choice in the geographic region." (*Decision* at 37)

### PROPOSED DECISION VIOLATES LEGAL STANDARDS

- Proposed Decision fails to reflect "reasoned decisionmaking [through] a reasonable application of relevant statutory provisions and standards to the substantial evidence on the administrative record." 216 Conn. 627, 637 (1990).
- Proposed Decision is "clearly erroneous in view of the reliable probative and substantial evidence on the whole record" and violates the UAPA. Conn. Gen. Stat. § 4-183(j).

### PROPOSED DECISION VIOLATES LEGAL STANDARDS

- No substantial evidence supports speculation that Application "would negatively affect minority races and ethnicities [in Sharon Hospital PSA] at a disproportionately higher rate." (*Decision* at 28)
- Application **aligns with Statewide Plan** goal to balance quality and access with financial stability and cost containment.
- Proposed Decision has contradictory conclusions:
  L&D unit closure *does not consolidate* birthing services.
  - L&D unit closure *adversely affects* healthcare costs and *accessibility* to care.
  - Both cannot be true.

(Decision at 37-38)

### PROPOSED DECISION VIOLATES LEGAL STANDARDS

- No substantial evidence of adverse effect on quality, accessibility and cost effectiveness.
  - Other area hospitals with L&D services are not "inferior" to Sharon Hospital.
  - Patients will travel to other area hospitals using same transportation modes they used to come to Sharon Hospital.
  - Unlikely emergency cases can be safely handled at Sharon Hospital.
  - Eliminating financially unsustainable service line enhances cost effectiveness.

- Sharon Hospital PSA is Small, Largely Affluent and Non-Minority.
  - CT PSA towns are Canaan, Cornwall, Goshen, Kent, Salisbury and Sharon. (FF 30)
  - Total PSA population is under 42,000. (FF 31)
  - PSA demographics are 84% white. (FF 32)
  - Only 5% of PSA population is uninsured. (FF 36)
  - Average PSA household income is \$107,608. (FF 32)
  - Only 7% of PSA residents (all ethnicities) have incomes under federal poverty level. (FF 33)
  - There are no medically underserved populations in Connecticut portion of Sharon PSA. (FF 37)

- Sharon Hospital L&D Unit has No Specialty Services For High-Risk Deliveries.
  - Sharon Hospital has no neonatal intensive care unit or specialists for high-risk deliveries. (FF 1, 4)
  - "Rising maternal age and comorbidities are contributing to a growing population of high-risk pregnancies." (FF 41)
  - Birth rates in age 30-39 category increased by 48% in 2017-2019 timeframe. (FF 41)

- **Demand for Birthing Services is declining** and not projected to grow.
  - Out-migration of patients from the Hospital's PSA "has increased" in recent years. (FF 47)
  - From 2011-2020, there has been "a slow overall decline in birth rates." (FF 40)
  - In the last ten years, the average total number individuals from PSA towns (CT and NY) giving birth has "remained relatively static between 162 and 170 per year." (FF 46)
  - Sharon Hospital PSA will see "minimal population growth," and no growth in females of child-bearing age (15-44) through 2026. (FF 48)

- Sharon Hospital L&D Unit suffers from prolonged declining utilization.
  - L&D Unit operates over 200 days a year without a single obstetrical delivery. (FF 43) (55% vacancy)
  - Birth volume has been **declining since 2017**. (FF 45)
  - The average number of obstetrical deliveries for PSA residents is two per week. (FF 46)
  - About 50% of patients in Sharon Hospital PSA choose birthing services at other hospitals. (FF 46 and 47)
  - Most popular alternatives are: Charlotte Hungerford (25 miles); Vassar Brothers (32 miles); Danbury Hospital (40 miles) (FF 46, 99).

- L&D Unit Cannot be Staffed Effectively
  - Prior to seeking CON, Sharon Hospital recruited OB-GYNs to PSA and offered financial incentives and subsidies, but those efforts failed to sustain the program. (FF 17, 18)
  - Since 2019, Sharon Hospital had 24 nursing-related positions posted and open for the L&D Unit at competitive compensation levels, including overtime and retention bonuses. (FF 19, 24)
  - Staffing continuity goal: Sharon Hospital established an obstetrical registered nursing program to train employed nurses. Of the five nurses trained for L&D, three left for other hospitals. (FF 22)
  - At least one-third of current nurse staffing is through temporary "per diem and travel nurses, and this results in turnover that provides instability." (FF 21)

- Sharon Hospital L&D volume can be readily absorbed by nearby hospitals.
  - Within a one hour drive (25 to 40 miles), there are "[five] area hospitals capable of serving patients seeking L&D services." (FF 99)
  - These five hospitals have "ample capacity" to "absorb Sharon Hospital's volume were the Proposal to be approved." (FF 100, 101)
  - The driving distance and travel time from Sharon Hospital to these five hospitals is: Charlotte Hungerford (25 miles, 37 minutes); Fairview Hospital (25.7 miles, 38 minutes); Vassar Brothers (31.8 miles, 47 minutes); Northern Dutchess (33 miles, 46 minutes); Danbury Hospital (40 miles, 60 minutes) (FF 99).
  - Proposed Decision acknowledges that Sharon Hospital has "satisfactorily established that other existing health care facilities can adequately handle its L&D volume." (Decision at 34)

- Sharon Hospital L&D Unit has multi-million dollar operating deficits.
  - L&D service is "resource intensive, requiring a fully-staffed birthing unit, 24/7 surgical and anesthesia support, as well as OB-GYN on-call coverage." (FF 4)
  - Despite recruitment and marketing efforts to maintain a financially viable service line, L&D Unit loses \$3,000,000 annually. (FF 86)
  - Average **annual expense** to operate L&D Unit is **\$5,000,000**. (FF 88, 89)
  - Average commercial reimbursement per L&D case (delivery and nursery) is \$5,300. (FF 95)
  - Sharon Hospital's 2022 Operating Deficit was \$22.9 million (negative operating margin of 45%) (OHS Annual Financial Status Report, p. 67).
  - Proposed Decision acknowledges that termination of L&D service is "financially feasible" because it will eliminate a \$3 million annual operating loss. (*Decision* at 28-29)

### ERROR: PROPOSED DECISION DISREGARDS CLEAR ABSENCE OF NEED IN FAVOR OF SPECULATION

- Conclusion that "it cannot be said that declining volume and an aging demographic constitute good cause" to grant CON is not rational. (*Decision* at 36)
- Conclusion that "[i]t is unclear why patients are choosing to bypass [Sharon Hospital] to give birth at other hospitals" is refuted by unrebutted evidence. (FF 55)
- Conclusion that Sharon Hospital was required to "perform" a "study" to explain causes/reasons for declining volume of L&D cases is legal error. (FF 55, *Decision* at 35-36)
- Conclusion that "Sharon Hospital's efforts to attract L&D patients ceased in early 2019" is factually baseless and legally irrelevant. (FF 51)
- Conclusions based on manipulated occurrent birth data volume trends are factually baseless and legally incorrect. (FF 52, 53)
- No basis to exclude 2019 delivery data based on alleged "lack of marketing campaign." (FF 53)

## ERROR: PROPOSED DECISION DISREGARDS CLEAR ABSENCE OF NEED IN FAVOR OF SPECULATION

- Conclusion to exclude 2020-2021 data as "outlier COVID-19 years" is not rational.
- Conclusion that "[t]here is the potential for Sharon Hospital's L&D volume to bounce back" is pure speculation.
- Conclusion of a lack of study/information to show that PSA patients live closer to other hospitals and "are bypassing Sharon Hospital to give birth at other hospitals with NICUs, neonatologists, and other specialty services, which provide for safer deliveries" (Decision at 36) is contradicted by unrebutted evidence. (FF 46, 47). (FY 2020, 81 patients went to those hospitals).
- **Proposed Decision acknowledges lack of need.** "It is clear that since 2010, there has been a slow overall **decline in birth volume** both in the State of Connecticut and Litchfield County" and that "Sharon Hospital specifically has experienced a **significant decline** in volume since FY 2016, with the largest drop occurring between 2019-present" **establishes absence of need** for continued L&D Unit operation. (*Decision* at 35)



 Evidence shows that Sharon Hospital patients have birthing options closer to home that are more accessible.

## Exhibit CC at SH00418 and SH00461

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ERROR: PROPOSED DECISION IGNORES CLEAR EVIDENCE THAT L&D SERVICE IS DUPLICATIVE AND CLOSURE WILL NOT REDUCE QUALITY

- Conclusion that "with the approval of this Proposal there will be an impact [on quality] and it will not be a beneficial one" is clearly not supported by reliance on Sharon Hospital's CMS 5-star quality rating. (*Decision* at 29)
- Conclusion that "if Sharon Hospital terminates the services, L&D patients would be required to go to one of [five] other hospitals... even though they carry inferior safety ratings" lacks any rational basis. (*Decision* at 29)
- Conclusion that "rural L&D closure results in bad quality and safety outcomes" lacks rational connection to Sharon Hospital. (*Decision* at 30) (Five service area-adjacent hospitals continue to operate L&D units).

#### ERROR: PROPOSED DECISION IGNORES CLEAR EVIDENCE THAT L&D SERVICE IS DUPLICATIVE AND CLOSURE WILL NOT REDUCE QUALITY

- Conclusion that Emergency Department physicians "trained to safely provide birthing services in the event of an unlikely emergency" is not quality care because such physicians "cannot compare to the four (4) full years of daily residency that OB/GYN physicians undergo" lacks any rational basis. (Decision at 30)
  - Sharon Hospital has "initiated enhanced training ... to ensure" that ED providers "are prepared to provide birthing services in emergency situations where transport to an alternative birthing site is not feasible." (FF 74)
  - OB/GYNs prepare birthing plans for patients months before delivery, including directing patients to nearby hospitals with L&D units (Exhibit CC, SH00430-SH00431)
  - Experience at nearby community hospital (New Milford) demonstrates that likelihood of emergency birthing presentation is extremely rare (Exhibit TT2, Transcript, at 10 (Lines 20-25))

#### ERROR: PROPOSED DECISION IGNORES CLEAR EVIDENCE THAT L&D SERVICE IS DUPLICATIVE AND ACCESS IS NOT REDUCED

- Conclusion relying on national studies showing lack of "adequate access to L&D facilities and services for women in rural areas" and that a majority of "pregnancy-related deaths are preventable" to prove inadequate access in Sharon Hospital PSA lacks any rational basis. (*Decision* at 30 and FF 61).
  - Five other hospitals are located within one hour of Sharon Hospital and can accept Sharon Hospital's volume.
- Conclusion that absence of a post-closure "transportation plan" for nonemergency L&D patients and identification of transportation as "one of the top barriers to care in rural areas" shows decreased access, lacks any rational basis. (*Decision* at 30-31)
  - Non-emergency patients coming to Sharon Hospital today provide their own transportation. L&D closure does not increase "transportation barriers."
     PSA residents rely heavily on private transportation in daily living. (FF 58)

#### ERROR: PROPOSED DECISION IGNORES CLEAR EVIDENCE THAT L&D SERVICE IS DUPLICATIVE AND ACCESS IS NOT REDUCED

- Conclusion of reduced access if L&D unit is closed based on purported "dangerous" travel conditions in Litchfield County and "drive times in Litchfield County [that] are often unpredictable or extended beyond what may be... typical" lacks any rational basis. (*Decision* at 31, FF 65, 68)
  - Data demonstrates that a significant number of Sharon Hospital L&D patients live closer to other hospitals. (Decision at 31, FN 34)
- Conclusion that non-emergency L&D patients "often do not have their own vehicle and that for "many L&D patients of Sharon Hospital, drive times from their homes to other area hospitals may be significantly longer" is unsupported by facts.
- Conclusion that "termination of the services would still have a negative impact on access to L&D services in Sharon Hospital's PSA because many patients would find it difficult to access those services" is unsupported by facts. (Decision at 37)
- Proposed Decision acknowledges that it is "clear that <u>nearby</u> hospitals have sufficient capacity to absorb Sharon Hospital's L&D volume."

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Available Capacity	2019	2020	2021	2022	2023	2024	2025
Sharon Hospital							
Utilization (ADC)	1	1	1	1	1	1	1
Total Beds	8	8	8	8	8	8	8
Available Capacity	7	7	7	7	7	7	7
Danbury Hospital							
Utilization (ADC)	16	14	15	14	14	14	14
Total Beds	29	29	29	30	30	30	30
Available Capacity	13	15	14	16	16	16	16
Norwalk Hospital							
Utilization (ADC)	9	8	8	6	6	6	6
Total Beds	30	30	29	29	29	29	29
Available Capacity	21	22	21	23	23	23	23
Vassar Brothers							
Utilization (ADC)	20	19	18	18	18	18	18
Total Beds	32	32	32	32	32	32	32
Available Capacity	12	13	14	14	14	14	14
Northern Dutchess							
Utilization (ADC)	6	6	7	7	7	7	7
Total Beds	11	11	11	11	11	11	11
Available Capacity	5	5	4	4	4	4	4
Putnam Hospital							
Utilization (ADC)	3	2	2	2	0	1	1
Total Beds	10	10	10	10	10	10	10
Available Capacity	7	8	8	8	10	9	9
Births	2019	2020	2021	2022	2023	2024	2025
Sharon Hospital [1]	190	214	206	173	173	173	173
Danbury Hospital	1,991	1,894	2,051	1,979	1,979	1,979	1,979
Norwalk Hospital	1,104	1,137	1,101	908	908	908	908
Vassar Brothers	2,549	2,507	2,426	2,436	2,436	2,436	2,436
Northern Dutchess	826	919	968	990	990	990	990
Putnam Hospital [2]	407	377	364	134	67	113	150

- Record shows and Proposed Decision agrees – there is ample capacity and access at nearby hospitals.
- Significant capacity at other Nuvance Health Hospitals.
- Sharon Hospital has transfer agreements with Charlotte Hungerford Hospital and Fairview Hospital, and each confirmed they have "capacity to handle" Sharon Hospital's L&D volume.

*Decision* at 37, Exhibit CC at SH00406-7, and Exhibit AAA at SH00523

#### ERROR: PROPOSED DECISION IGNORES CLEAR EVIDENCE THAT L&D SERVICE IS DUPLICATIVE AND ACCESS IS NOT REDUCED

- Conclusion that "termination [of L&D services] would **negatively affect minority races and ethnicities** at a disproportionately higher rate" **lacks any rational basis**. (*Decision* at 28)
- Conclusion that "the data also demonstrates [that L&D unit closure would have] a **negative impact on access to Medicaid recipients and indigent persons**" and would "exacerbate racial and ethnic health care inequities" in the PSA **lacks any rational basis**. (*Decision* at 28)
  - No evidence supports conclusion that Medicaid recipients or minorities in Sharon Hospital's PSA will experience restricted access to L&D services. (*Decision* at 28)
  - No evidence that generalized articles about maternal and infant mortality relate to lack of access to birthing services, as opposed to quality pre-natal care. (FF 27-29)
- Conclusion that Sharon Hospital has **the burden of demonstrating** that its PSA is **"immune to these national and statewide trends**" is **legal error**. (*Decision* at 28)
- Conclusion that "[t]he people of color in Sharon Hospital's PSA are more likely "to have incomes below the federal poverty level or who fall below the ALICE Threshold is **not supported by citation to FF 31, 33**. (*Decision* at 28)

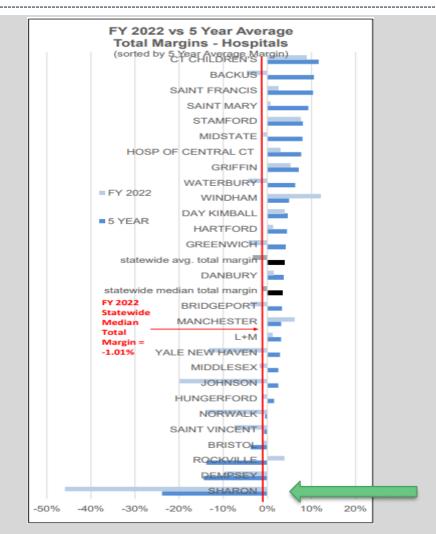
## ERROR: PROPOSED DECISION IGNORES CLEAR EVIDENCE THAT L&D CLOSURE IS COST EFFECTIVE

- Conclusion that L&D closure negatively impacts cost-effectiveness "both for the general population as well as indigent persons" because "the costs of delivering a baby at Sharon Hospital are lower than at any other hospital in the area" is unsupported by facts in the record and lacks any rational basis. (Decision at 32)
  - Hospital reimbursement is not the same as the "cost" of the service.
  - Medicaid recipients do not pay out-of-pocket for birthing services.
- Conclusion that Medicaid and indigent populations would incur significant transportation costs is pure speculation. [Such] "patients would likely have to spend more (taxi v. bus, for example)." (*Decision* at 33)
  - "[T]he majority of our Medicaid population come from the towns of Torrington, New Milford, and Winsted" which are all "closer to other hospitals." Testimony of C. McCulloch, Exhibit TT1, Transcript at 30-31.
- Conclusion that Sharon Hospital "has failed to establish that this proposal will improve cost-effectiveness" is **legal error** and **contradicts the earlier finding that service termination is financially feasible**. (*Decision* at 28, 33)

### ERROR : PROPOSED DECISION IGNORES CLEAR EVIDENCE THAT L&D CLOSURE IS COST EFFECTIVE

- Conclusion that Sharon Hospital "failed to present evidence that staffing challenges constitute good cause" for L&D closure is legal error. Sharon Hospital is not required to demonstrate that it has "experienced so much [staffing] difficulty that it has had to suspend [L&D Unit operation]" in order to close.
  - Unrebutted facts demonstrate that Sharon Hospital expended significant resources to recruit physicians and temporarily staff the L&D Unit, which is not sustainable.
- Conclusion that "Sharon Hospital's **ongoing financial losses** attributable to the L&D Unit do not constitute good cause" for termination is **legal error**. (*Decision* at 36)
- Reliance on continued Nuvance **subsidies of massive operating losses** is **legal error** because Sharon Hospital is the licensee seeking termination. (*Decision* at 36)
- Conclusion that, in the face of a \$20 million annual deficit, "the **\$3 million in projected** annual savings is negligible," is unreasonable as a matter of law. (*Decision* at 36)
- Conclusion that **losses attributable to the L&D Unit are not sufficient good cause** to approve L&D closure because Sharon Hospital's financial problems will "require more than just the termination of one service line to correct" is **unreasonable as a matter of law**. (*Decision* at 36-37)

### SHARON HOSPITAL'S FINANCIAL SITUATION IS UNTENABLE



Record: "Sharon Hospital is operating in significant financial distress" Exhibit AAA at SH00518 and SH00533.

OHS Hospital Financial Status Report (p. 2) <u>confirms</u> that Sharon Hospital had the worst FY 22 and 5-year average performance <u>in the state</u>

### **CONCLUSIONS**

- Transforming Sharon Hospital benefits everyone.
  - Connecticut's small hospital crisis must be addressed.
  - Allows for a new vision of Sharon Hospital as <u>local</u>
    <u>healthcare and wellness resource</u>.
  - Proposal reflects current patient utilization and standard of care.
  - <u>Ample access</u> at nearby hospitals.
  - No evidence to support hypothetical transportation or emergency birthing concerns.
  - Litchfield County is not a "maternity desert."

### **CONCLUSIONS**

- Future of Sharon Hospital is at stake.
  - \$20 Million-plus annual deficits cannot continue.
  - Small community hospitals can no longer serve all health care needs.
  - Status quo cannot continue.
- CON Decisions must reflect sound health care policy choices.
  - Evidence proves that granting the CON will promote stability of health care delivery in the region.
  - Ignoring overwhelming evidence demonstrating <u>low</u> <u>utilization</u>, <u>lagging demand</u> and <u>crushing costs</u> puts politics above the right policy decision.
- Allow Sharon Hospital to <u>do the right thing</u> for our patients.