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Sharon Hospital One Step Closer To Joining Health Quest

Thu, 04/06/2017 - 3:20pm Sharon

By Cynthia Hochswender

SHARON — The state Office of Health Care Access (OHCA) held a well-attended public hearing at Sharon Town Hall on Wednesday night, April 5, about whether Sharon Hospital should be allowed to join New York state’s Health Quest medical group and return to nonprofit status.

Sharon Hospital became the state’s first for-profit hospital in 2002 when it was purchased by Essent, a group based in Tennessee. Over the years, the parent company (initially Essent, which later became RegionalCare and is now RCCH) invested more than \$16 million in the hospital; but changes in the health care industry have convinced the company that it is no longer the right owner for the 78-bed rural Connecticut hospital.

RCCH would like to sell Sharon Hospital to Health Quest, a group that includes Northern Dutchess, Putnam and Vassar hospitals. To make this happen, Sharon Hospital filed two Certificates of Need (CONs) with OHCA. The hearing on Wednesday night gave community members a chance to express support or concern for the change.

Most of the comments made at the meeting had already been submitted as written testimony; written comments can still be made over the course of the next few days by sending an email to OHCA@ct.gov with “public comment Sharon Hospital” in the subject line.

The hospital has to still file a few documents with OHCA in response to questions asked at the hearing; they have until April 14 to submit those papers. Until then, the hearing remains technically “open” and additional comments can be accepted. After that, the hearing is closed and OHCA will have 60 days to make a ruling.

Public comments

About 11 people from the more than 100 audience members stood up to make comments on the record at the beginning of the meeting. Most were positive. Nearly everyone who spoke said they and their children had been frequent visitors to the emergency department over the years; several said they had been born at Sharon Hospital, as had their children. Recently retired state Rep. Roberta Willis said that she, her mother and all her children had been born at the hospital.

They stressed the geographic isolation of the hospital and the importance of being able to get high-quality medical care without a long car or ambulance trip. Two people noted that a bad storm can make it impossible to access more distant hospitals.

Edward Murray is president and CEO of Northern Dutchess Paramedics, which provides ambulances for the most serious medical cases. He said that his drivers sometimes need to travel five or six hours round trip to take patients to larger hospitals in Connecticut. This is bad for patients and it takes his drivers and vehicles out of service for long periods.

If Sharon joins Health Quest, he said, his drivers will be able to take patients across the border to Vassar or Northern Dutchess, which are larger hospitals that provide a higher level of care than is available at Sharon.

Raising concerns about the possible purchase by Health Quest were Lorna Brodtkorb, who expressed doubt that Sharon will be able to make the financial recovery that is projected in the CON; and Lori Shepard, who said she feels that the Foundation for Community Health, which is helping fund the purchase of the hospital from RCCH, will not have as much money available to support community nonprofits.

Victor Germack of Salisbury read aloud his eight-page letter detailing changes he would like to see made in the agreement between RCCH, Health Quest and Sharon Hospital. He had already submitted his testimony to OHCA and has sent copies to other state officials including Attorney General George Jepsen.

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Germack described himself as vice president of the Community Association to Save Sharon Hospital (CASSH), which was formed 16 years ago to protest the purchase by Essent (as it was called at that time) and the conversion to for-profit status. He owns a financial reporting firm and an investment banking firm in New York City. He is an intervenor in OHCA's hearing process.

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Explaining the details

Representatives from Sharon Hospital, RCCH, Health Quest and the Foundation for Community Health then presented their testimony (which had already been submitted in writing) to the four OHCA representatives and the state's hearing officer.

Mike Browder is chief financial officer and executive vice president of RCCH. Browder was Essent's CEO before it merged with RegionalCare and later become RCCH.

He spoke of changes in the health care industry that have made the company's ownership of Sharon Hospital unprofitable for everyone involved.

"It's a new era," he said.

Doctors no longer want to set up a shingle and run their own practice; they want to be employees of a larger system. That makes it harder for Sharon Hospital to recruit (and pay) good doctors.

Being part of a larger system offers economic efficiencies; joining a health care system that's nearby increases those efficiencies, he noted.

He and Sharon Hospital CEO Peter Cordeau pointed out that Health Quest is in New York state, which is a positive for Sharon Hospital, where 60 percent of patients come from Dutchess and Columbia counties.

Robert Friedberg, CEO of Health Quest, gave some history of his company and how it has helped Northern Dutchess and other small rural hospitals to grow and thrive.

"We expect we can improve the quality of care and the financials for Sharon Hospital, and we stand by our projections," he said. "The strength of Health Quest lets us look at the future and feel bullish."

Foundation for

Community Health

Of particular interest throughout the course of the hearing were details of the Foundation for Community Health's (FCH) participation in the purchase. It is largely the foundation's support that is making the Sharon Hospital/Health Quest deal happen.

CEO Nancy Heaton explained the history of the foundation, its part in the sale of the hospital in 2002 and (possibly) this year and the benefits it expects to receive on behalf of the community as part of the sale.

The initial purchase price for Sharon Hospital is \$5 million; of that total, FCH will provide \$3 million.

If the hospital ends up being sold or it loses its nonprofit status in the five years after the sale to Health Quest, FCH will get its entire investment back.

FCH is also expected to invest up to \$6 million in the near future in Sharon Hospital. Those funds will be matched dollar-for-dollar by Health Quest; in fact, Health Quest will have to spend the money first and then prove to FCH that those investments benefit Sharon Hospital. Then FCH will pay out matching funds.

Health Quest will also give FCH a 4 percent return on its investment in cash or services every year for 10 years, she said, so that FCH's grant-making ability will not be impacted.

The foundation was created in 2002 with the funds that RCCH used to buy Sharon Hospital. In addition, FCH received funds that had been donated to the hospital as bequests over the years.

In his comments, Germack had expressed concern that donors to FCH might not have wanted their money to be used for the hospital purchase. Heaton pointed out in her comments that FCH does very little fundraising, because it does not want to compete with other area nonprofits. It is sufficiently well funded, with more than \$25 million, that it does not depend on donations.

"Our mission is to maintain and improve the health and mental health of the residents in our service area," she said. The foundation feels that investing back in Sharon Hospital is a very good use of those funds.

FCH will have the right to nominate 12 of the 15 members of the Sharon Hospital governance board. One of those members will also sit on the Health Quest board.

She stressed that, "Health Quest has made a commitment to ensure that this large investment does not impact FCH's grant-making budget ability to fulfill its mission over the next 10 years. Health Quest has agreed to fund new and ongoing FCH community programs and services or, if appropriate, to provide these services itself."

While a committee of six community board members and Heaton was set up exclusively to negotiate the possible grant/investment and conducted investigations and negotiations with Health Quest, Heaton emphasized that, "the full board considered and set all of the major parameters of the negotiation and in the end it was a full board unanimous vote to approve the final agreement terms."

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The process took 18 months and ended with a lowered purchase price and more benefits for the foundation, Heaton said after the hearing.

OHCA questions

By the time the four OHCA staff members began to ask their own questions, only about a dozen people remained in the room. The meeting had been scheduled to last from 4 to 6 p.m. It ended instead at roughly 8:30 p.m.

The questions were wide-ranging and detailed (with frequent references to specific page numbers in the roughly 1,000-page CON application), but for the most part friendly.

They questioned Health Quest's financial and patient projections for Sharon Hospital, asking what would happen if the hospital doesn't meet expectations.

"If our projections are off and Sharon makes \$3.5 million instead of \$5 million or even \$2 million or \$1 million, it doesn't matter to us," Friedberg, the Health Quest CEO, said. "What matters is the stability of the system. Sharon's performance is just one part of what we do. Our mission is to serve this community and provide health care. The profits are not our driving force."

There were several questions about whether the pay structure will change for services once Health Quest buys Sharon Hospital. There are no plans to change fees, the Health Quest and Sharon representatives said. But that will depend in part on what happens with Medicare and Medicaid reimbursements from the government.

There was an extended discussion about how many physicians will be recruited to serve the Sharon Hospital community. The answer, roughly, was that no one quite knows yet. Health Quest will come in and see where there is a need, and hire accordingly.

One thing they were confident about is that oncologists and cardiologists are a priority, as well as primary care physicians.

Anyone who wants to find out the status of the application can get updates at the OHCA website at www.ct.gov/ohca.

To watch the entire four-and-a-half hour hearing, go to Robin Hood Radio and CATV-6's website at www.vimeo.com/robinhoodradiotv

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