



Hospital deal still has chance
Texas company still working for merger

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WATERBURY — The merger of Waterbury's two hospitals might not be dead after all.

The CEO of the company trying to form a joint venture with the hospitals said Wednesday he still believes the partners could begin building a new hospital in the city next year, even though his firm has pulled out of the agreement that created the joint venture in the first place.

Dan Moen, chief executive officer of Plano, Texas-based LHP Hospital Group Inc., confirmed Wednesday that his company sent a letter to both Saint Mary's and Waterbury hospitals terminating the joint venture agreement the three organizations had entered into in August 2011.

Moen, however, stressed that LHP is still committed to the joint venture and is working with the hospitals to resolve the issues that have kept the project from making any substantive progress over the past 13 months.

Moen; Chad Wable, the president and CEO of Saint Mary's Hospital; and Darlene Stromstad, president and CEO of Waterbury Hospital, agreed Wednesday during a meeting and conference call with Republican-American reporters that the three partners are still actively pursuing an agreement.

"We'd certainly be willing to be engaged in another agreement," Moen said.

LHP's decision to pull out of the August 2011 non-binding letter of intent is likely to delay the start of construction of a new hospital by at least 60 to 90 days, he said. In a best-case scenario, the start of construction would be pushed back to the second quarter of next year, he said.

Moen said LHP opted to terminate the non-binding agreement because many of the calculations, business projections and cost estimates in the original agreement are now more than a year old.

He also confirmed that LHP's letter to its partners came about a month after a letter Stromstad sent to Saint Mary's Hospital and LHP in early August in expressing her frustration with the project's lack of progress.

"It became increasingly apparent to us over the course of the summer that we just weren't making a lot of progress," Stromstad said when asked to describe the content of her letter.

"Everything just felt stuck," she said.

The Republican-American requested copies of the letters sent by Stromstad and LHP, but that request was denied.

LHP'S DECISION TO PULL OUT OF THE AGREEMENT brings to a temporary halt the joint venture's bid to gain the state approvals needed to authorize the merger and construction of the new hospital. Those approvals are acquired through the state Office of Health Care Access' Certificate of Need, or CON, process.

When and if the joint venture partners sign a new letter of intent, they will be required to file a new series of CON applications, the partners said.

Though all three acknowledged the existence of "other issues," Moen, Wable and Stromstad described the ongoing impasse over reproductive health services as the principal stumbling block to an agreement.

The joint venture's proposal to perform services that violate the ethical and religious directives of the Catholic Church in a free-standing, 11,000-square-foot "women's pavilion" located near the new hospital has been rejected by the Permanent Commission on the Status of Women, Stromstad said.

The commission is an arm of the General Assembly formed to study and improve the economic security, health and safety of Connecticut women.

One reason the commission refused to sign off on the proposal was its fear that the pavilion would not be financially sustainable, which could lead to its eventual closing and the permanent loss of the services it would provide to the community.

The commission's concerns about the proposal's economic viability illustrate what Stromstad calls a major problem facing any attempt to build and maintain a standalone facility in which the reproductive services would be provided.

If the size and scope of the facility is too small, it won't be able to generate enough income to sustain itself; if the size and scope of the facility is expanded, it would siphon off patients and critical revenue from the joint venture's main undertaking: the new hospital.

Meanwhile, Stromstad said, the joint venture needs the blessing and endorsement of organizations like the Permanent Commission on the Status of Women because "the state has clearly said this resolution must pass muster with the reproductive rights community."

Wable said at least one alternative to the women's pavilion, the "hospital-within-a-hospital" model, is off the table.

"The hospital-within-a-hospital model was considered early in our discussions, but was never accepted by Saint Mary's as a viable solution," he said.

Wable added that the "No. 1 criteria for selecting LHP as our corporate partner was their agreeing to maintain" the ethical and religious directives of the Catholic Church.

"Saint Mary's" he said, "has never contemplated giving up" those principles.

Without them as part of the deal, Saint Mary's would likely withdraw from the joint venture. Moen made it clear Wednesday that LHP will only do the deal if it includes both hospitals.

Mark Ojakian, chief of staff to Gov. Dannel P. Malloy and a participant in the negotiations over the joint venture, said the sluggish pace of the merger talks may have caused friction and frustration.

"I knew the conversations continued to drag on and I suspected at some point LHP would say, 'This is way too cumbersome. This is taking way too much time. There may be a possibility that we have other opportunities elsewhere that we can put out capital,' and this thing was very slow in developing," he said.

Yet, Ojakian said administration officials had believed that the parties had reached a compromise on reproductive health services three weeks ago, and were surprised that the compromise failed to satisfy all the parties.

THE HOSPITAL PROJECT IS EXPECTED to need state funding. The administration has conditioned any grants, loans and other assistance on preserving the access that women and men now have to reproductive services.

"Our position has not changed. From the very beginning, the governor was very clear. We are not going to provide economic development dollars if health services to women are going to be diminished in the city of Waterbury. It is not going to happen," Ojakian said.

He said he will be meeting with representatives of the Permanent Commission on the Status of Women today to discuss its opposition to the latest compromise, including its questions about the financial viability of Women's Pavilion.

"That was a concern for everybody, but it was my understanding that there was a plan in place that dealt with them. But things may have changed," he said.

In addition to reproductive services, Ojakian said labor issues are a concern for Malloy.

Unionized workers at Waterbury Hospital want guarantees that union rights will be preserved if the hospital is sold. The administration supports the union position on a successorship agreement.

"I think we are staying out of the negotiations, but I think the governor has also been clear on that — that any new joint venture needs to provide for a union workforce. But we are not getting in the middle of negotiating contracts," Ojakian said.

Moen and Wable acknowledged there are other issues besides reproductive health services that remain to be resolved.

Wable cited the fact that both hospitals have workforce issues to resolve, including Waterbury Hospital's contract negotiations with its unions.

Moen cited the final location for the new hospital as another unresolved issue, adding that because of "the length of time it's taken, construction prices keep going up." He declined to estimate the additional cost to build the new hospital, which was previously projected at \$400 million.

Business Editor David Krechevsky contributed to this report

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