AG, health department, approve Landmark acquisition by Prime

PROVIDENCE – On Monday, Oct. 28, Attorney General Peter F. Kilmartin announced that he has approved, with conditions, the proposed sale of Landmark Medical Center and Rehabilitation Hospital of Rhode Island (Landmark) to Prime Healthcare Services, Inc., and affiliated entities (Prime), pursuant to the Hospital Conversions Act (HCA).

“Clearly, a five-year special mastership for any business is not an ideal situation,” Kilmartin said.

Prime will be Rhode Island's first for-profit hospital corporation. The California hospital management company, founded in 2001 by cardiologist PREM REDDY, MD, owns and/or operates 23 acute care hospitals/medical centers in California, Kansas, Nevada, Texas and Pennsylvania.

The conditions laid out in the decision include, but are not limited to, that Prime transfer certain charitable assets to the Rhode Island Foundation or a similar entity for disbursement, provide information about any actions taken against Prime or any final resolution to the investigation currently being conducted by the Department of Justice and Office of Inspector General regarding coding at Prime's hospitals, and that Prime inform the Attorney General of any actions taken against it or any of its hospitals or affiliates by any governmental entities.

On October 25, Rhode Island Health Dept. Director Dr. Michael Fine announced the department’s approval of both the change in effective control application, which was recommended for approval by the Health Services Council, and the hospital conversions application. It approved both applications with a set of conditions.

“We did our due diligence in reviewing these applications, and found that Prime met the criteria for approval,” said Dr. Fine. “We are very pleased to welcome Prime to Rhode Island.”

In the approval documents, the health department found that the acquisition by Prime was in the public interest, albeit taking into consideration “written comment from at least two sources expressing concern about the number of excess hospital beds in Rhode Island…Still, the alternative to the acquisition of Landmark by Prime is an expected closure of the hospital, and considerable adverse economic impact on the Hospital’s catchment area. Given this reality, and the consequent likely adverse impact of economic hardship on the health of the people who live in the Hospital’s catchment area, the Department accepts the contention that, taken as a whole, this acquisition is in the public interest.”

In a statement issued after Dr. Fine’s decision, Landmark President and CEO Richard Charest said Landmark views the initial approval as “welcome news for our employees and the Greater Woonsocket community. It has been a long and winding road these past five years, and we are now starting to see some light at the end of the tunnel,” he said.

The 214-bed acute care hospital will remain as such for the next several years.
OVERVIEW
Key components of the Prime-Landmark asset purchase agreement include the following:

- In the first five years, Prime will make investments in technology and capital improvements, and expand services in an amount equal to $30 million.
- For no less than five years after the closing, Prime will provide no less than $4.5 million in funding for the recruitment of physicians.
- Prime will provide funding of no less than $15 million for routine replacements at the hospital.

Prime's planned improvements
At a Health Services Council public meeting on July 9, 2013, Prime summarized its planned improvements at Landmark as follows:

**Pre-conversion**
- Renovate/update four nursing units, main lobby, diagnostic services, and the emergency department waiting room
- Replace existing cardiac telemetry monitoring system throughout the hospital
- Add a new telemetry system to the nursing unit currently without telemetry

**Post-conversion**
- IT System Conversion – electronic medical record ($10 million)
- Replace major imaging equipment as follows:
  - Radiology/Fluoroscopy equipment ($363,000)
  - Nuclear Medicine Cameras ($250,000)
  - Magnetic Resonance Imaging (MRI) ($1 million)
- Vascular imaging equipment
- Replace a cardiac catheterization lab ($900,000)
- Replace all furniture and fixtures
- Total investment in first five years: $30.56 million

Other commitments
Additionally, Prime has made the following commitments:

- Establish a local governing board with representation from the Landmark service areas
- Assume substantially all physician contracts and strengthen physician relationships
- Retain substantially all employees
- Maintain positive relationship with labor unions
- Improve patient care quality metrics

Following the completion of the transaction, subject to agreement by state-appointed special master, Jonathan N. Savage, Landmark will become a wholly owned subsidiary of Prime.

HealthSource RI releases metrics through October 26
1,110 have completed applications for health benefits exchange

**Provided by HealthSource RI**

- Contact Center calls: 3,301
- Contact Center walk-ins: 437
- Unique Website visits: 19,745
- Total Website visits: 23,134
- Accounts Created: 2,206
- Completed and processed applications: 1,110

An “account created” is defined as an individual who has created a username and password.

A “completed and processed application” is defined as an individual who has supplied all of the necessary information, had that information verified, and has selected a plan. Payment was either made or is pending.

Coverage for all plans begins on January 1, 2014.

Since open enrollment began on October 1, HealthSource RI has reported:

- Contact Center calls: 15,469
- Contact Center walk-ins: 1,240
- Unique Website visits: 89,310
- Total Website visits: 105,574
- Accounts Created: 9,687
- Completed and Processed Applications: 3,762

Monthly enrollment data reporting will begin in November.