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Caritas Christi Health Care System plays a critical role as one of the largest health care systems in New England. Established in 1985, Caritas is a Catholic health care system, associated with the Archdiocese of Boston, which includes St. Elizabeth's Medical Center in Brighton, Carney Hospital in Dorchester, Good Samaritan Medical Center in Brockton, Holy Family Hospital in Methuen, Norwood Hospital in Norwood, and Saint Anne's Hospital in Fall River. Many of the services provided by its six hospitals are crucial to the communities they serve. In addition, the system plays an important role in preserving competition among hospitals in Eastern Massachusetts, which is necessary to moderate the reimbursement rates hospitals negotiate with insurers and, ultimately, the amounts insurers charge consumers.

While Caritas is not the only health care system in the Commonwealth facing significant challenges, its failure to partner with another system last year, combined with leadership and operational difficulties, have caused significant concerns about the future of the system. As part of our responsibility for overseeing the public's interest in the viability of the Commonwealth's non-profit charitable hospitals, the Attorney General's Office asked Health Strategies and Solutions, Inc. to prepare this report, which identifies key areas that must be successfully addressed by Caritas in order to become a more viable organization. The report identifies governance reform, the future of Carney Hospital, the role of St. Elizabeth's Medical Center and the operating performance of the Caritas Physician Network as priorities that need to be effectively addressed in order for the system to succeed. These recommendations are important, not only to the thousands of patients who rely on Caritas for care, but to the stability and efficiency of the Eastern Massachusetts health care system.

The most compelling priority confronting Caritas is the need for the Archdiocese of Boston to relinquish direct and indirect control over strategic, operational, and financial matters of Caritas while retaining influence only over matters of religious direction. Operating a hospital system is an extraordinarily complicated business, a recognition that has led virtually all religious organizations throughout the nation to transfer control to lay boards while in most cases maintaining a commitment to the religious principles upon which the systems were founded. Indeed, last year, the

Archdiocese approached three different national organizations about potentially assuming control of Caritas—all are lay organizations that adhere to and promote the religious principles of the Catholic faith.

It is in the best interests of Caritas that the Archdiocese transfer total control of the business of the system to an independent Board of Governors, which should have the sole authority to choose Board members and the chief executive, and to run Caritas in the manner it deems appropriate with no outside influence except on matters of religious direction. For instance, it may be appropriate for diocesan leadership to play a role in decisions regarding the nature and extent of reproductive health services offered in Caritas facilities.

We note that previous consultants to Caritas have made similar recommendations and that the Caritas Board and the Archdiocese commenced a review of the current governance structure several months ago. Proposed changes generated by the Board, and approved by the Archdiocese, were recently submitted to us. We will review those submissions and provide comments to Caritas and the Archdiocese consistent with the goal of a strong and independent governing body for Caritas.

Another priority for reform concerns one of the Caritas hospitals, Carney Hospital in Dorchester, which has been operating in a precarious position for decades and whose problems pre-exist the involvement of Caritas. The nature and extent of those problems are documented in the report. Moreover Caritas, to its credit, has retained Huron Consulting to conduct a more focused and in-depth study of Carney. We welcome that study and look forward to reviewing its findings and conclusions.

Of significant concern is that Carney has become dependent on Legislature-approved public funding to fund operations. Carney's future should be based on current community need, not on historical service lines. Accordingly, acute medical-surgical inpatient hospital care may not be the appropriate future for Carney. The growth areas of health care are almost universally found in ambulatory settings and Greater Boston has no shortage of medical-surgical inpatient beds. Moreover, there may be other inpatient specialties for which the need is far greater and upon which operational and fiscal stability may be better founded. However, any long term plan for Carney must address the availability of emergency services and involve substantial input from the Dorchester community.

The best course for St. Elizabeth's Medical Center in Brighton should be as a community teaching hospital, with a concentration in, and development of, advanced capabilities in two to three major specialties where it can be competitive. Caritas has already embraced that future and the development of its service expertise in cardiology is indicative of its potential to effectively compete in the Greater Boston marketplace.

Finally, the Caritas Physician Network had an operating loss of nearly \$30 million in FY 2007 and is budgeted to lose approximately \$15 million in FY 2008. The Network should evaluate all physician contracts and compensation arrangements in comparison to

industry medians and implement a new compensation structure for employed physicians, with greater emphasis on physician productivity.

By addressing these priorities, the Archdiocese and Caritas management can better ensure a stable future for the health system. We now have a basis upon which my office, the public, representatives of state and local governments, and members of the health care provider and payer communities can better work with Caritas on a going forward basis. All of us will benefit from a stable and successful Caritas Christi Health Care System. With the continued commitment of the Caritas board, management, physicians and staff, and the cooperation of the Archdiocese, we have every reason to believe that the Caritas system can continue its tradition of service well into the future.

During the course of this review, Caritas management and members of its Board of Governors have worked cooperatively with representatives of Health Strategies and Solutions, Inc. and my staff and I very much appreciate their past and future dedication and hard work. I would also like to thank the physicians and employees within Caritas whose dedication during these uncertain times bodes well for the future of this very valuable resource.

Cordially,

A handwritten signature in black ink that reads "Martha Coakley". The signature is fluid and cursive, with the first name "Martha" and last name "Coakley" clearly distinguishable.

Martha Coakley
Attorney General