Office of Health Care Access
Certificate of Need Application

Final Decision

Applicant:	**Lawrence & Memorial Hospital**
Docket Number:	**01-562**
Project Title:	**Expansion of Pequot Medical Center to Include an Ambulatory Surgery Center and MRI Services**
Statutory Reference:	**Sections 19a-638 and 19a-639, Connecticut General Statutes**
Filing Date:	**February 13, 2002**
Hearing Date:	**April 4, 2002**
Decision Date:	**April 17, 2002**
Default Date:	**May 14, 2002**
Staff Assigned:	**Maryann Lewis** **Sandra Czunas**

Project Description: Lawrence & Memorial Hospital ("Applicant") proposes to expand the Pequot Health Center, a Groton, Connecticut satellite outpatient facility of Lawrence & Memorial Hospital, at a total capital expenditure of $17,173,465, which does not include capitalized financing costs.

Nature of Proceedings: On February 13, 2002, the Office of Health Care Access ("OHCA") received Lawrence & Memorial Hospital's Certificate of Need ("CON") application to expand the Pequot Health Center located in Groton, Connecticut. The Applicant is a health care facility or institution as defined by Section 19a-630 of the Connecticut General Statutes ("C.G.S.").

The Applicant requested a waiver of public hearing, which OHCA denied. A public hearing was held on April 4, 2002. The Applicant was notified of the time, date and place of the hearing and a notice to the public was published prior to the hearing in the

New London Day and the *Northeast Minority News*. Commissioner Raymond J. Gorman served as presiding officer for this case. The hearing was conducted as a contested case in accordance with the provisions of the Uniform Administrative Procedure Act (Chapter 54 of the Connecticut General Statutes) and Section 19a-639, C.G.S.

The Presiding Officer heard testimony from witnesses for the Applicant and in rendering this decision, considered the entire record of the proceeding. OHCA's authority to review, approve, modify or deny this proposal is established by Section 19a-639 C.G.S. The provisions of these sections, as well as the principles and guidelines set forth in Section 19a-637, C.G.S., were considered by OHCA in its review.

Findings of Fact

Clear Public Need
Proposal's Contribution to Accessibility of Health Care Delivery in the Region
Impact of the Proposal on the Interests of Consumers of Health Care Services and Payers for Such Services

1. Lawrence & Memorial Hospital ("Applicant") is a not-for-profit acute care hospital located at 365 Montauk Avenue, New London, Connecticut. *(January 30, 2002 CON Application, page 25)*

2. The Applicant is proposing to expand the Pequot Health Center, a Groton satellite outpatient facility of Lawrence & Memorial Hospital. The proposal will not replace any existing services. *(January 30, 2002 CON Application, page 25)*

3. The Pequot Health Center is an ambulatory services and emergency room facility that is operational seven days a week, sixteen hours a day. *(November 29, 2001 Letter of Intent)*

4. The 28,000 square foot facility was developed in 1975 and expanded in 1992. It currently offers emergency care, diagnostic imaging, occupational health, physical, occupation and speech therapy, audiology, outpatient psychiatry, employee assistance, and community education programs. *(January 30, 2002 CON Application, page 26).*

5. The Applicant proposes to expand the Pequot Health Center by adding:

    a. A two-story, 37,000 square foot building adjacent to and connected with the existing facility;
    b. An ambulatory surgery program and support services, including central sterilization and processing;

c. A fixed site Magnetic Resonance Imaging (MRI) Suite; and
d. Facilities to accommodate mobile medical technologies.
(January 30, 2002 CON Application, page 42)

6. The proposed facility will include the following:
   - Four (4) operating rooms;
   - Central sterilization and processing area for equipment;
   - Pre-op area with six (6) stations and two (2) exam/prep rooms;
   - Post-op recovery area with thirteen stations;
   - Administration and public area;
   - 1.5 T Twin Speed MRI with support spaces;
   - Staff entrance, locker rooms and staff lounge;
   - Mobile medical technologies pad to accommodate mobile technology; and a
   - Dedicated parking, covered patient drop-off/entrance and patient pick up at grade level.

   (January 30, 2002 CON Application, page 42)

7. In 1999, the Applicant engaged the firm Health Strategies & Solutions ("HSS"), Inc. to assist in the development of an ambulatory services strategic-plan. Findings from the HSS analysis include the following:

   - The Hospital's main campus is difficult for patients to access due to inconvenient parking and complex campus lay-out;
   - Surgical intake and recovery space is insufficient;
   - The Applicant's radiology facility is inadequate for outpatients;
   - The current MRI is above 100% capacity; and
   - Continued growth in ambulatory surgery is anticipated with technological advances and an aging population;

   (January 30, 2002 CON Application, page 26)

8. The Applicant engaged the architectural firm, Shepley, Bulfinch, Richardson and Abbott to prepare a master plan site. Preliminary findings indicated that the hospital facilities are stressed for ambulatory services and an off-campus alternative was recommended to utilize available land and accommodate patient access. *(January 30, 2002 CON Application, page 28)*

9. The pre-operative and recovery areas at the Hospital that were designed to accommodate no more than 40 patients per day, currently serve daily averages up to 70 patients per day. *(January 30, 2002, CON Application, page 28)*

10. Ambulatory surgery volumes at the Hospital from FY 1998-2001 were as follows:

SERVICE	FY98	FY99	FY00	FY01
Ambulatory Surgeries	6,167	6,466	6,775	6,957
Pain Cases	1,010	1,050	1,025	1,191
Total	**7,177**	**7,516**	**7,800**	**8,148**

(January 30, 2002 CON Application, page 27)

11. Ambulatory volume for FY 2002 and FY 2003 is projected to increase only 2% due to space constraints. This volume is expected to grow at higher rates in FY 2004 - 2006 with additional capacity created at the Pequot Health Center. Orthopedics, ENT and plastic surgery are projected to experience the largest volume increases. *(January 30, 2002, CON Application, page 36)*

12. MRI volume has been increasing at a substantial rate and waiting times for the Hospital scanner ranged from 5 to 15 days during FY 2001. The Applicant projects utilization rates for MRI to increase further due to an aging population and the expansion of clinical uses for MRI as a result of technological advances. *(January 30, 2002 CON Application, page 32 & 37)*

13. The Applicant anticipates some reduced volume at the hospital campus with the addition of ambulatory surgery and MRI services at the Pequot Health Center. The projected number of cases expected to shift to the Pequot site in the first three years of operation is as follows:

Projected Cases at Pequot Health Center

SERVICE	FY 04	FY 05	FY 06
ENT	444	583	749
Ortho	616	863	1,077
Plastic/Hand	150	197	252
Podiatry	136	159	183
Pain	766	986	1,219
Other (3%)	115	119	126
TOTAL	**2,227**	**2,907**	**3,606**

(January 30, 2002, CON Application, page 37 & 47)

14. The Applicant projects ambulatory surgery remaining at the hospital campus for FYs 2004 - 2006 as follows.

Projected Ambulatory Surgery at Hospital

SERVICE	FY 04	FY 05	FY 06
ENT	296	194	83
Ortho	753	575	462
Plastic/Hand	100	66	28
Podiatry	45	28	10
Pain	511	329	135
Other Ambulatory Volume	4,800	4,942	5,088
Subtotal-Ambulatory	**6,505**	**6,134**	**5,806**

(January 30, 2002, CON Application, page 47)

15. Construction of the new building will take place in the rear of the existing facility, minimizing any potential adverse impact on patient care. In addition, a dedicated construction entrance drive, parking, delivery and staging area will be established to isolate construction activities from the staff and patient flow. *(January 30, 2002, CON Application, page 42)*

16. The Applicant's primary service area includes the towns of East Lyme, Groton, Ledyard, Lyme, Montville, New London, North Stonington, Old Lyme, Stonington and Waterford. Secondary service area towns include Bozrah Colchester, Franklin, Griswold, Lisbon, Norwich, Old Saybrook, Preston, Salem, Voluntown and Westerly, RI. *(January 30, 2002, CON Application, page 27)*

17. The Applicant does not anticipate a significant effect on existing providers, as there are currently no freestanding multi-specialty surgery centers in the Applicant's service area. *(January 30, 2002, CON Application, page 33)*

18. Section 19a-613 of the Connecticut General Statutes authorizes OHCA to collect patient-level outpatient data from health care facilities or institutions, as defined in section 19a-630.

Financial Feasibility of the Proposal and its Impact on the Applicants' Rates and Financial Condition
Impact of the Proposal on the Interests of Consumers of Health Care Services and Payers for Such Services

19. The projected payer mix will remain unchanged as a result of the implementation of this proposal. *(January 30, 2002, CON Application, page 46)*

20. The total capital expenditure for this proposal is $17,173,465, which does not include capitalized financing costs of $1,041,600:

Type of Capital Expenditure	
Construction and Renovation	$10,666,060
Fixed Equipment	458,900
Movable Equipment (Purchase)	4,884,105
Other	1,164,400
Total Capitalized Expenditure	**17,173,465**
Capitalized Financing	1,041,600
Total Capital Cost	**$18,215,065**

(January 30, 2002, CON Application, page 41)

21. The breakdown of the construction and renovation costs are as follows:

Construction & Renovation Breakdown

Category	Cost of Construction
Building	$6,987,947
Total Site Work Costs	1,250,000
Architecture and Engineering	1,164,400
Contingency	1,397,434
Inflation Adjustment	174,679
Other (General Conditions, Overhead & Profit)	856,000
Total	**$11,830,460**

(January 30, 2002, CON Application, page 43)

22. The Applicant proposes to fund the total capital expenditure through a CHEFA bond. *(January 30, 2002, CON Application, page 45 & 46)*

23. The Applicant is projecting incremental losses for this proposal of $1,283,923, $1,332,055 and $584,413 for FYs 2004, 2005 and 2006 respectively, due to the financing costs and depreciation on the building. The projected operating revenue will cover the operating costs for this expanded service. *(January 30, 2002, CON Application, page 45 & 46 and Attachment 17, pg. 243)*

24. The anticipated schedule of the proposal is as follows:

Activity	Date
Commencement	September 1, 2002
Completion	September 1, 2003
Licensure	September 15, 2003
Occupancy	October 1, 2003

(January 30, 2002, CON Application, page 44)

Consideration of Other Section 19a-637, C.G.S. Principles and Guidelines

The following findings are made pursuant to other principles and guidelines set forth in Section 19a-637, C.G.S.:

25. There is no State Health Plan in existence at this time. *(January 30, 2002, CON Application, page 25)*

26. The Applicant has adduced evidence that this proposal is consistent with its long-range plan. *(January 30, 2002, CON Application, page 25)*

27. The Applicant has improved productivity and contained costs through energy conservation, group purchasing and the application of technology. *(January 30, 2002, CON Application, page 38)*

28. The proposal will not result in changes to the Applicant's current teaching and research responsibilities. *(January 30, 2002, CON Application, page 40)*

29. There are no distinguishing characteristics of the patient/physician mix of the Applicant. *(January 30, 2002, CON Application, page 40)*

30. The Applicant has sufficient technical, financial and managerial competence to provide efficient and adequate service to the public. *(January 30, 2002, CON Application, Attachments 6 & 16)*

RATIONALE

Lawrence & Memorial Hospital proposes to expand the Pequot Health Center, a Groton satellite outpatient facility currently offering emergency care, diagnostic imaging, occupational health, physical, occupation and speech therapy, audiology, outpatient psychiatry, employee assistance, and community education programs. The project will include the construction of a two-story, 37,000 square foot addition to the existing facility that will offer an ambulatory surgery program and support services, a fixed-site Magnetic Resonance Imaging (MRI) Suite and facilities to accommodate mobile medical technologies. The proposal will augment current services and will not replace any existing services.

This project will allow the Applicant to meet the increasing demand for ambulatory surgery and MRI services. The existing Hospital pre-operative and recovery areas, built to accommodate 40 patients per day, are currently above capacity, serving daily averages up to 70 patients per day. Space constraints are limiting the increase in ambulatory volume for fiscal years 2002 and 2003 to only 2%. MRI volume has been growing at substantial rates and waiting times for the Hospital scanner ranged from 5 to 15 days during FY 2001. The Applicant projects utilization rates for MRI to increase further due to an aging population and the expansion of clinical uses for MRI as a result of technological advances. A total of 3,600 ambulatory surgery cases and 5,600 MRI scans are projected at the Pequot Health Center by the third year of operations. The four additional operating rooms and a second MRI proposed at the Pequot Health Center will allow the Hospital to accommodate the projected growth of inpatient volume.

Further, the Applicant engaged the firm Health Strategies & Solutions Inc. (HSS) to assist in developing an ambulatory services strategic plan. HSS found that the Hospital facility is difficult for patients to access, its surgical intake and recovery space is insufficient, the MRI is above 100% capacity and the current radiology facility is inadequate for outpatients. The Applicant also engaged the architectural firm, Shepley, Bulfinch, Richardson and Abbott to prepare a master plan site. Preliminary findings indicated that the hospital facilities are stressed for

ambulatory services and an off-campus alternative was recommended to utilize available land and accommodate patient access. OHCA commends the Applicant's efforts in developing an expansion initiative that responds directly to the growing needs of its service population and strives to maintain the highest level of patient care. As there are currently no freestanding multi-specialty surgery centers in the Applicant's service area, this proposal is necessary to meet increased for ambulatory services in that area.

Section 19a-613, C.G.S. authorizes OHCA to collect patient-level outpatient data from health care facilities or institutions. The submission of quarterly utilization reports to OHCA by the Applicant will provide OHCA with the data necessary to monitor the quality and accessibility of care provided at the proposed facility.

Finally, the proposal is financially feasible. The total capital expenditure is $17,173,465, which does not include capitalized financing costs of $1,041,600. The Applicant proposes to fund the total capital expenditure through a CHEFA bond. The Applicant is projecting an incremental loss for this proposal of $1,283,923, $1,332,055 and $584,413 for FYs 2004, 2005 and 2006 respectively, due to the financing costs and depreciation on the building. The operating revenues, however, cover the operating costs for this expanded service for these years. OHCA finds that this proposal will not only improve patient accessibility and quality of care, but appears to be both financially feasible and cost effective.

Based upon the foregoing Findings of Fact and Rationale the Certificate of Need application of Lawrence & Memorial Hospital for the expansion of the Pequot Medical Center, located in Groton, Connecticut, with a total capital expenditure of $17,173,465, which does not include capitalized financing costs of $1,041,600, is hereby GRANTED.

Order

1. The authorization shall expire on October 1, 2004. Should the expansion and applicable renovations to the Pequot Medical Center not be completed by that date, Lawrence & Memorial Hospital must seek further approval from OHCA to complete the project beyond that date.

2. Lawrence & Memorial Hospital shall not exceed the approved capital expenditure of $17,173,465. In the event that the Applicant learns of potential cost increases or expects that the final project costs will exceed those approved, Lawrence & Memorial Hospital shall file with OHCA a request for approval of the revised budget.

3. Lawrence & Memorial Hospital will provide OHCA with outpatient utilization statistics for the Pequot Medical Center on a quarterly basis. The data elements and the format and submission requirements are described in Attachment 1.

All of the foregoing constitutes the final order of the Office of Health Care Access in this matter.

By Order of the
Office of Health Care Access

April 17, 2001
Date

Signed by:
Raymond J. Gorman
Commissioner

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RJG:ML:sec

Attachment 1

Lawrence & Memorial Hospital shall submit patient-specific data on Pequot Medical Center as listed and defined below for those patients who receive service, care, diagnosis or treatment at the Pequot Medical Center. This information may be extracted from either the medical abstract or billing records or both and submitted to the Office of Health Care Access (OHCA) in accordance with this Attachment.

I. The data are to be submitted in ASCII format on a computer disk or electronically.

II. Column headers to be used are listed below in parentheses after the name of each data element.

III. Data formats to be followed are listed for each data element.

IV. The disk or file should be clearly marked with the applicant's/facility's name, file name, docket number and its contents.

V. Accompanying the data submission, the applicant/facility must submit a full written description of the data submitted and its record layout.

VI. Initial data shall be submitted at the end of the first quarter in which the facility begins to provide the service it is licensed for. Subsequent data for a calendar quarter shall be filed before the end of the calendar quarter following the calendar quarter in which the encounter was recorded. This data set shall contain the data records for each individual encounter from that facility during the preceding calendar quarter. For example, the data set to be filed before June 31, 2002, shall contain the data records for each individual encounter at that facility from January 1, 2002 until March 31, 2002.

VII. All data collected by OHCA will be subject to the laws and regulations of the State of Connecticut and the Office of Health Care Access regarding its collection, use, and confidentiality.

Patient Data Elements

1. Medical Record Number (mrn) – unique patient identification number assigned to each patient for whom services are provided by a facility that distinguishes by itself the encounter of an individual patient from the encounter of all other patients for that facility. **Format: string (20, zero filled to left if fewer than 20 characters)**
2. Patient Control Number (patcont) – unique number assigned by the facility to each patient's individual encounter that distinguishes the medical and billing

records of the encounter. **Format: string (20, zero filled to left if fewer than 20 characters)**

3. Date of birth (dob) – the month, day, and year of birth of the patient whose encounter is being recorded. **Format: date (20, dd-mmm-yyyy hh:mm:ss)**

4. Sex (sex) – patient's sex, to be numerically coded as follows:
   a. Male = 1
   b. Female = 2
   c. Undetermined = 3

   Format: string (1)

5. If available, Race (race1, race2, race3, race4, race5, race6) – patient-identified designation(s) of one or more categories from the following list, and numerically coded as follows:
   a. White = 1
   b. Black/African American = 2
   c. American Indian/Alaska Native = 3
   d. Native Hawaiian/Other Pacific Island = 4
      (e.g., Native Hawaiian, Guamanian or Chamorro, Samoan, Other Pacific Islander.)
   e. Asian = 5
   (e.g., Asian Indian, Chinese, Filipino, Japanese, Korean, Vietnamese, other Asian)
   f. Some other race = 6

   Format: string (1)

6. If available, Ethnicity (pat_eth) –patient-identified cultural origin listed below, as from time to time amended, and numerically coded as follows:
   a. Hispanic/Latino = 1
      (i.e., Mexican, Puerto Rican, Cuban or other Hispanic or Latino)
   b. Non-Hispanic/Latino = 2

   Format: string (1)

7. Zip Code (patzip) - the zip code of the patient's primary residence. **Format: string (5)**

8. Date that Procedure was Scheduled (Booking Date) – means the month, day, and year on which the procedure or service was scheduled for a patient by the provider. **Format: date (20, dd-mmm-yyyy hh:mm:ss)**

9. Date of Encounter or Service (doe) – means the month, day, and year of the procedure or service for the encounter being recorded. **Format: date (20, dd-mmm-yyyy hh:mm:ss)**

10. Principal Diagnosis (dx1) – the ICD-9-CM code for the condition which is established after the study to be chiefly responsible for the encounter being recorded. **Format: String (5, do not include decimal place -- decimal place is implied)**

11. Secondary Diagnoses (dx2 through dx10) – the ICD-9-CM codes for the conditions, exclusive to the principal diagnosis, which exist at the time the patient was treated or which developed subsequently to the treatment and which affect the patient's treatment for the encounter being recorded. Diagnoses which are associated with an earlier encounter and which have no bearing on the current encounter shall not be recorded as secondary diagnoses. **Format: String (5, do not include decimal place -- decimal place is implied)**

12. E-code (ecode) – The ICD-9-CM codes for external cause of injury, poisoning or adverse effect. **Format: string (5, do not include decimal place -- decimal place is implied)**

13. Principle Procedure (px1) - the CPT-4/HCPCS code for the procedure most closely related to the principal diagnosis that is performed for the definitive treatment of the patient. **Format: string (5)**

14. Secondary Procedure (px2 through px10) – the CPT-4/HCPCS codes for other significant procedures. **Format – string (5)**

15. Modifier (mod1 through mod10) – means by which a physician indicates that a service or procedure performed has been altered by some specific circumstance but not changed in definition or code. **Format: string (2)**

16. Payment sources (Primary (ppayer), Secondary (spayer) and Tertiary (tpayer)) - the major payment sources that were expected at the time the dataset was completed, from the categories listed below:

a. Self pay	=	A
b. Worker's Compensation	=	B
c. Medicare	=	C
d. Medicaid	=	D
e. Other Federal Program	=	E
f. Commercial Insurance Company	=	F
g. Blue Cross	=	G
h. CHAMPUS	=	H
i. Other	=	I
j. Title V	=	Q
k. No Charge	=	R
l. HMO	=	S
m. PPO	=	T

Format: string (1)

17. Payer Identification (payer1, payer2, payer3) – the insured's group number that identifies the payer organization from which the facility expects, at the

time of the encounter, some payment for the bill. Up to three payer organizations shall be reported in the order of their expected contributions to the payment of the facility's bill. **Format: string (5, zero filled to left if fewer than 5 characters)**

18. Encounter type (etype) – indicates the priority of the encounter.
    a. Emergent = 1
    b. Urgent = 2
    c. Elective = 3
    Format: string (1)

19. Referring Physician (rphysid) -- State license number of the physician that referred the patient to the service/treatment/procedure rendered. **Format: string (6)**

20. Operating Physician (physid) – State license number identifying the provider who performed the service/treatment/procedure. **Format: string (6)**

21. Charges (chrg_tot) – Total charges for this encounter. **Format: numeric (8)**

22. Disposition (pstat) – the circumstances of the patient's discharge, categories of which are defined below and from time to time amended:
    a. Discharged home = 1
    b. [redacted]erred for medical treatment = 2
    c. Transferred to another health care facility = 3
    d. Expired = 4
    e. Other = 5

    Format: string (1)