



## Office of Health Care Access Certificate of Need Application

### Final Decision

**Applicant:** MidState Medical Center

**Docket Number:** 01-566

**Project Title:** Expansion and Renovation of Existing Campus and the Addition of 36 Licensed Medical/Surgical Acute Care Beds

**Statutory Reference:** Sections 19a-638 and 19a-639 of the Connecticut General Statutes

**Filing Date:** April 15, 2002

**Hearing Date:** Waived

**Decision Date:** May 10, 2002

**Default Date:** Not Applicable

**Staff:** Kimberly Martone  
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Sandra Czunas

**Project Description:** MidState Medical Center (“Hospital”) proposes to expand and renovate the existing campus and add 36 medical/surgical acute care beds, at a total capital expenditure of \$18,700,000.

**Nature of Proceedings:** On April 15, 2002, the Office of Health Care Access (“OHCA”) received the Certificate of Need (“CON”) application of MidState Medical Center for the expansion and renovation of the existing campus and addition of 36 medical/surgical acute care beds, at a total capital expenditure of \$18,700,000. MidState Medical Center 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 for the CON Application on April 15, 2002, pursuant to Section 19a-643-45 of OHCA's Regulations and claimed that the proposal was non-substantive as defined in Section 19a-643-95(3) of OHCA's Regulations. A notice to the public was published on April 25, 2002 in the *Record Journal* (Meriden) and the *Northeast Minority News*. OHCA received no comments concerning the Applicant's request for waiver of public hearing during the public comment period and therefore, on May 9, 2002, OHCA granted the Applicant's request for waiver of public hearing.

OHCA's authority to review and approve, modify or deny this proposal is established by Sections 19a-638 and 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

#### Impact of the Proposal on the Hospital's Current Utilization Statistics Proposal's Contribution to the Quality of Health Care Delivery in the Region Proposal's Contribution to the Accessibility of Health Care Delivery in the Region

1. MidState Medical Center ("Hospital") is an acute care general hospital located at 435 Lewis Avenue in Meriden, Connecticut. (*CON Application, April 15, 2002, page 1*)
2. The Hospital's primary service area consists of the towns of Meriden, Cheshire and Wallingford. (*CON Application, April 15, 2002, page 1*)
3. On June 22, 1995 under Docket Number 92-567, the Commission on Hospitals and Healthcare granted authorization to Veterans Memorial Medical Center ("VMMC"), Meriden-Wallingford Community Corporation and Connecticut Health System, Inc. for the following:
  - Termination of acute care hospital services at VMMC's East Campus located at 833 Paddock Avenue in Meriden;
  - Termination of acute care hospital services at VMMC's West Campus located at One King Place in Meriden;
  - Relocation of these services to a new acute care hospital physical plant to be constructed on Lewis Avenue in Meriden; and
  - Reduction in the number of licensed beds from 244 to 92. (*CON Agreed Settlement dated June 22, 1995*)
4. On May 1, 1998 under Docket Number 97-578R, OHCA modified the Commission Order issued under Docket Number 92-567 by authorizing an increase in the Hospital's total authorized licensed bed capacity by two licensed beds, from 92 licensed beds and 12 bassinets to 94 licensed beds and 12 bassinets. (*CON Agreed Settlement dated May 1, 1998*)

5. Under Docket Number 97-578R, the Hospital agreed to the following phases in the termination of beds:
  - Immediate reduction of 100 beds;
  - Additional reduction of 25 beds by 7/31/96;
  - Additional reduction of 25 beds by 7/31/97; and
  - Additional reduction of 26 beds on or before commencement of operations of the new hospital physical plant, resulting in a licensed bed capacity of 94 beds.  
 (CON Agreed Settlement dated May 1, 1998 under DN 97-578R, Stipulation #5)
6. The Hospital offers a range of inpatient and outpatient services, medical/surgical specialties and 24-hour emergency services. (CON Application, April 15, 2002, page 1)
7. The Hospital currently operates 75 medical surgical acute care beds, 6 operating rooms, 10 post anesthesia care recovery bays, 2 gastroenterology procedure rooms, and 24 emergency service treatment bays. (CON Application, April 15, 2002, page 22, Appendix I)
8. The Hospital is proposing the expansion and renovation of its existing campus as follows:
  - Immediate construction of a 28-bed inpatient Pavilion;
  - Addition of 2 operating rooms;
  - Addition of 3 post anesthesia care recovery spaces;
  - Creation of a dedicated Endoscopy Suite, including the addition of two gastroenterology procedure rooms;
  - Creation of two physician office suites; and
  - Renovation of the existing Emergency Department, including the addition of 6 treatment bays. (CON Application, April 15, 2002, page 1)
9. The Hospital's proposal includes the relocation of the post anesthesia care unit, gastroenterology, and the existing laboratory to the new Pavilion. The mobile PET Scan pad will be relocated on the existing Hospital campus.  
 (CON Application, April 15, 2002, page 1)
10. The Hospital proposes to increase its total licensed bed capacity by 36 medical/surgical beds, from 72 to 108 licensed acute care beds. The implementation of the proposal will result in the following bed configuration: (CON Application, April 15, 2002, page 1 and Schedule 500 Actual FY 2001 Inpatient Services, 12 month filing)

**Current and Proposed Bed Complement**

Department	Current Staffed	Current Licensed	Proposed Licensed
Adult Medical/Surgical	75	72	108
ICU/CCU	7	0	0
Exempt Psychiatric	6	10	10
Maternity	12	12	12
<b>TOTAL EXCLUDING NEWBORN</b>	<b>100</b>	<b>94</b>	<b>130</b>

11. The need for the increased capacity in the areas of inpatient medical/surgical, perioperative, emergency department (“ED”) and gastroenterology services at the Hospital is based on the following:
- Current occupancy rate;
  - Occurrence of diversion; and
  - Increase in ED visits, surgical volume and outpatient gastroenterology procedures.
- (CON Application, April 15, 2002, page 2)*
12. In August 2000, the Planning Committee of the Hospital’s Board of Directors appointed a Capacity Task Force to identify short-term solutions to lessen the impact of the existing capacity problems. The following strategies were recommended:
- Utilize 23-hour rooms for inpatient admissions as needed;
  - Convert engineering support space to ED holding area;
  - Facilitate potential discharges;
  - Expand disease management services through an OHCA grant to reduce length of stay;
  - Evaluate appropriate use of skilled nursing facility beds for inpatient admissions; and
  - Place psychiatric patients in other facilities.
- (Supplemental information received on April 15, 2002, Attachment B)*
13. The Bristol Group utilized the following medical/surgical utilization statistics for Fiscal Years (FYs) 2000-2002 in its bed need analysis:

**Medical/Surgical Statistics: FYs 2000-2002**

	<b>2001</b>	<b>2001</b>	<b>2002</b>
Patient Days	26,773	28,365	29,096
Average Daily Census	78	78	78
M/S % Occupancy	95%	104%	104%
Discharges	5,687	5,913	6,022
Length of Stay	4.71	4.80	4.83

*(CON Application, April 15, 2002, pages 28, 46, & 190 and Supplemental Information received on April 16, 2002))*

14. The Bristol Group conducted a bed need study for the Hospital which found the following:
- The appropriate number of medical/surgical beds needed to accommodate the Hospital’s FY 2001 average daily census at 80% was 94 beds, which equates to an existing 19-bed deficit in inpatient capacity.
  - This deficit will grow to 40 beds by the year 2010.
- (CON Application, April 15, 2002, page 3)*
15. The Hospital’s proposed inpatient medical/surgical pavilion will allow the Hospital to meet the existing needs of the community served and will provide flexibility to expand during peak seasons and during emergent situations. *(CON Application, April 15, 2002, page 4)*

16. The Hospital submitted the following volume statistics for the emergency department, operating room, and gastroenterology for FYs 1999-2002:

**Current Volume Statistics by Service**

<b>Service</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002*</b>	<b>FY 99-02 Change</b>
ED visits (excludes Medi Quick)	35,715	39,635	43,402	44,613	25%
OR surgeries (excludes GI cases)	8,515	9,170	9,157	9,669	14%
GI procedures	3,104	3,671	5,013	6,333	104%

\* FY 2002 data is annualized based on first four months  
(Supplemental information received on April 16, 2002, Attachment C)

17. The Hospital proposes to increase the number of treatment spaces in the ED from 24 to 30 bays, due to significant increases in ED volume. Statistics cited by the Hospital include:

- Annual ED visits increased by 25% from FY 1999 to annualized FY 2002.
- The Hospital was on diversion for approximately 200 hours, diverting 50 patients to other facilities, in FY 2001.
- Based on the first four months of FY 2002, the Hospital anticipates the number of diversions will double by the end of the fiscal year.

(CON Application, April 15, 2002, page 4 and Supplemental information received on April 16, 2002, Attachment C)

18. The Hospital expects that the 6 bay increase will allow the Hospital to accommodate its existing patients that are currently being held in the ED, Holding Area, Recovery Room and Outpatient 23 Hours rooms overnight and to reduce the occurrence of diversions at area facilities' emergency departments.

(CON Application, April 15, 2002, page 7)

19. The Hospital proposes to add 2 operating rooms (ORs) within the existing perioperative department for a total of 8 ORs due to significant surgical volume. Statistics cited by the Hospital include:

- Currently, the Hospital's ORs are operating at an 85% utilization rate.
- OR volume has increased 14% from FY 1999 to annualized FY 2002.
- Approximately 45% more surgeries per operating room are completed at the Hospital compared to the average of peer hospitals.

(CON Application, April 15, 2002, page 5 and Supplemental information received on April 16, 2002, Attachment C)

20. The addition of 2 ORs will allow the Hospital to meet the needs of both its inpatient and outpatient surgical volume, while continuing to operate at an efficient rate of operating room utilization. The additional 3 post-anesthesia care treatment bays for a total of 13 bays will support the additional operating rooms. (CON Application, April 15, 2002, page 6)

21. The Hospital proposes to add 2 procedure rooms for a total of 4 procedure rooms to be dedicated for gastroenterology (“GI”) services due to significant growth in GI volume. Volume statistics include:
- GI volume has increased 104% from FY 1999 to annualized FY 2002.
  - Approximately 2,500 annual cases per room are completed based on FY 2001 volume. Optimum usage of procedure rooms is 1,500-2,000 cases per room per year, according to the Health Care Advisory Board.

*(CON Application, April 15, 2002, page 6 and Supplemental information received on April 16, 2002, Attachment C)*

22. The Hospital states that the proposed relocation of two procedure rooms from the hospital campus to the new Pavilion to create a dedicated endoscopy suite offers the following advantages:

- Multiple operational efficiencies, in terms of dedicated pre-operative, recovery and equipment processing, and
- Dedicated patient drop off, parking, registration and financial counseling area.

*(CON Application, April 15, 2002, page 6)*

23. The Bristol Group projects the following medical/surgical utilization increases at the Hospital for FYs 2003-2010:

**Medical/Surgical Projections to FY 2010**

	2003*	2004	2005	2006	2007	2008	2009	2010
Patient Days	29,845	30,614	31,403	32,212	33,042	33,893	34,766	34,942
Average Daily Census	78	84	86	88	91	93	95	96
M/S % Occupancy	104%	81%	84%	86%	88%	90%	92%	93%
Discharges	6,133	6,246	6,362	6,479	6,599	6,720	6,844	6,895
Length of Stay	4.87	4.90	4.93	4.97	5.00	5.02	5.07	5.10

\* November 2003 – construction completed

*(CON Application, April 15, 2002, page 199, Appendix XV and Supplemental information received on April 15, 2002, Attachment A)*

24. The Hospital projects the following ED, ambulatory OR, and GI volume for FYs 2004-2008 with the proposal:

**Projected Volume Statistics by Service**

Service	2003	2004	2005	2006	2007	2008	FY 04-08 Change
ED visits	48,182	52,150	56,324	60,832	65,695	70,946	36%
OR surgeries	10,152	11,740	12,305	12,899	13,520	14,173	21%
GI procedures	6,966	8,904	9,713	10,601	11,575	12,643	42%

*(CON Application, April 15, 2002, page 190, Appendix XV and Supplemental information received on April 16, 2002, Attachment C)*

**Financial Feasibility and Cost Effectiveness of the Proposal and its Impact on the Hospital's Rates and Financial Condition  
Impact of the Proposal on the Interests of Consumers of Health Care Services and Payers for Such Services**

25. The Hospital's proposed total capital expenditure is \$18,700,000, which consists of the following: (*CON Application, April 15, 2002, page 12*)

<b>Description</b>	<b>Total Cost</b>
Fixed Equipment	\$ 964,302
Moveable Equipment	\$ 1,574,698
Construction/Renovation	\$12,758,325
Other: Project Dev., Surveys & Contingency	\$3,402,675
<b>Total Capital Expenditures</b>	<b>\$18,700,000</b>

26. For informational purposes only, the capitalized financing costs associated with this project are \$300,000. (*CON Application, April 15, 2002, page 12*)
27. The proposed total capital expenditure will be funded by an equity contribution of \$5,000,000 from operations and \$13,700,000 from Connecticut Health and Educational Facilities Authority ("CHEFA") financing. The Hospital has assumed no fundraising; however, any fundraising amounts received will reduce the equity amount from operations. (*CON Application, April 15, 2002, pages 16&17*)
28. The new two-story 45,800 square foot Pavilion to be constructed will be located south of the ED and will be connected to the existing facility. The first floor will contain the new expanded GI/Endoscopy Center, two physician offices, and a new expanded laboratory and support space. The second floor will accommodate the 28 new medical/surgical beds and support areas. The Pavilion will be designed to accommodate a future vertical expansion of two additional floors. (*CON Application, April 15, 2002, pages 12&13*)
29. The Hospital proposes to hire 67.5, 71.3, 75.1, 78, and 80.7 Full-Time Equivalent ("FTEs") in FYs 2004, 2005, 2006, 2007, and 2008, respectively, with the facility expansion project. (*CON Application, April 15, 2002, Appendix XIV, page 188*)
30. The Hospital projects losses in revenues from operations with the CON proposal of \$1,540,823 in FY 2004 and \$565,761 in FY 2005 due to non-cash expenses. However, the Hospital projects an excess of revenues of \$501,048, \$1,455,196, and \$2,453,755 in FYs 2006, 2007, and 2008, respectively due to the increase in volume. (*CON Application, April 15, 2002, Appendix XIV, pages 186&188*)

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

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

31. There is no State Health Plan in existence at this time.  
*(CON Application, April 15, 2002, page 2)*
32. The Hospital has adduced evidence that this proposal is consistent with the Hospital's long-range plan. *(CON Application, April 15, 2002, page 2)*
33. The Hospital's proposal will not result in a change to the Hospital's teaching or research responsibilities. *(CON Application, April 15, 2002, page 10)*
34. The distinguishing characteristics of the patient/physician mix related to the Hospital's proposal is 87% of the medical staff is board certified in their specialties or sub-specialties. *(CON Application, April 15, 2002, pages 10&11)*
35. The Hospital participates in various energy conservation, re-engineering and group purchasing initiatives that promote continuous improvements to the operations of the facility. *(CON Application, April 15, 2002, page 10)*
36. The Hospital has sufficient technical, financial and managerial competence to provide efficient and adequate service to the public. *(CON Application, April 15, 2002, pages 8&9)*



## Rationale

MidState Medical Center (“Hospital”) proposes the implementation of its expansion and renovation project, which includes the construction of a new two-story 45,000 square foot Pavilion south of the emergency department that will be connected to the existing hospital building. The new Pavilion will house an expanded GI/Endoscopy Center, two physician offices, an expanded laboratory and support space on the first floor; and a new 28 bed medical/surgical unit and support areas on the second floor. The Hospital proposes to increase its licensed bed capacity by 36 medical/surgical acute care beds, from 72 to 108, for a total bed complement of 130 licensed beds. The Hospital will also add 6 ED treatment spaces for a total of 30 bays, 2 operating rooms for a total of 8 ORs, and 2 gastroenterology procedure rooms for a total of 4 GI procedure rooms. The Hospital based the need for the facility expansion project on the current occupancy rate, occurrence of diversion, and increases in ED visits, surgical volume, and outpatient gastroenterology procedures. All of the above service expansions are a result of significant increases in volume since the new acute care hospital physical plant was constructed on Lewis Avenue in Meriden in 1998.

In an effort to address the issue of increasing utilization, the Hospital established a Capacity Task Force in August 2000. The Hospital’s Capacity Task Force recommended short-term strategies to lessen the impact of the existing capacity problems. The Hospital utilized 23-hour rooms for inpatient admissions as needed, converted engineering support space to ED holding area, facilitated potential discharges, expanded disease management services through an OHCA grant to reduce length of stay, evaluated appropriate use of skilled nursing facility beds for inpatient admissions, and placed psychiatric patients in other facilities. However, these actions were not adequate to alleviate the problems of increasing utilization and inadequate space in the physical plant that was being experienced by the Hospital. The Hospital has operated at an occupancy level of 95% or higher since FY 2000. The Hospital’s average daily census in FY 2001 was 78 for an overall medical/surgical occupancy rate of 104%. The Hospital is currently licensed for 72 adult medical/surgical beds but is staffing 75 medical/surgical beds due to the high utilization. The Bristol Group concluded in its bed need study that the appropriate number of medical/surgical beds needed to accommodate the Hospital’s FY 2001 average daily census at 80% was 94 beds, which equates to an existing 19-bed deficit in inpatient capacity. This deficit will grow to 40 beds by the year 2010. The Hospital’s proposed inpatient medical/surgical pavilion will allow the Hospital to meet the existing needs of the community served and will provide flexibility to expand during peak seasons and/or during emergent situations.

The Hospital experienced 44,613 ED visits and performed 9,669 OR surgeries and 6,333 GI cases in FY 2002 (annualized). Emergency department visits have increased by 25% from FY 1999 to FY 2002 (annualized). The Hospital was on diversion for approximately 200 hours diverting 50 patients to other facilities in FY 2001. Based on the first four months of FY 2002, the Hospital anticipates the number of diversions will double by the end of the fiscal year. The Hospital’s proposed project will allow the Hospital to increase ED capacity to accommodate its existing patients who are currently being held in the ED, Holding Area,

Recovery Room and Outpatient 23 Hours rooms overnight and to reduce the occurrence of diversions at area facilities emergency departments.

Currently, the Hospital's ORs are operating at an 85% utilization rate. OR volume has increased 14% from FY 1999 to FY 2002 (annualized). Approximately 45% more surgeries per operating room are completed at the Hospital compared to the average of peer hospitals. The addition of 2 ORs will allow the Hospital to meet the needs of both its inpatient and outpatient surgical volume, while continuing to operate at an efficient rate of operating room utilization. The additional 3 post-anesthesia care treatment bays for a total of 13 bays will support the additional operating rooms.

GI volume has increased 104% from FY 1999 to FY 2002 (annualized). Approximately 2,500 annual cases per room are performed based on FY 2001 volume. Optimum usage of procedure rooms is 1,500-2,000 per room, according to the Health Care Advisory Board. The proposed relocation of two GI procedure rooms from the hospital campus to the new Pavilion to create a dedicated endoscopy suite will provide for multiple operational efficiencies in terms of dedicated pre-operative, recovery and equipment processing; and offer dedicated patient drop off, parking, registration and financial counseling area.

The Hospital projects a 17% increase in medical/surgical patient days from FYs 2003-2010. The medical/surgical average daily census is projected to increase to 96 for an overall medical/surgical occupancy rate of 93% in FY 2010. The Hospital has demonstrated that there is sufficient need for the addition of 36 licensed medical/surgical beds. It is important to note that the new Pavilion will be designed to accommodate a future vertical expansion of two additional floors. The Hospital also projects a 36%, 21%, and 42% increase in total ED, OR, and GI volume, respectively, from FYs 2004-2008. OHCA commends the Hospital for its managerial expertise in undertaking this facility construction/renovation project in order to meet community needs currently and in the future. The Hospital's proposal will improve both the quality and accessibility of the Hospital's patient services. Therefore, OHCA finds that the Hospital has demonstrated that its proposal is needed in order for the Hospital to continue to provide patient care services to a steadily increasing number of patients.

The proposed total capital expenditure of \$18,700,000 will be funded by an equity contribution from operations and CHEFA financing. The Hospital proposes to hire 67.5, 71.3, 75.1, 78, and 80.7 FTEs in FYs 2004, 2005, 2006, 2007, and 2008, respectively, with the facility expansion project. The Hospital projects losses of revenues for the first two years of the proposal due to non-cash expenses. However, the Hospital projects an excess of revenues of \$501,048, \$1,455,196, and \$2,453,755 in FYs 2006, 2007, and 2008, respectively due to the increase in volume. The Hospital's projected medical/surgical, ED, ambulatory OR, and GI volume for FYs 2003-2008 appear to be achievable, given the current utilization and occupancy rate. Since the financial projections are based on the Hospital's current and projected volume, OHCA believes it is likely that the associated projected gains from operations in FYs 2006-2008 will also be achievable. Therefore, OHCA finds that the Hospital's proposal is both financially feasible and cost effective.

Based on the foregoing Findings and Rationale, the Certificate of Need application of MidState Medical Center to expand and renovate the existing campus and add 36 medical/surgical acute care beds, at a total capital expenditure of \$18,700,000, is hereby **GRANTED**.

## Order

MidState Medical Center (“Hospital”) is hereby authorized to expand and renovate the existing campus and add 36 medical/surgical acute care beds, at a total capital expenditure of \$18,700,000, subject to the following conditions:

1. This authorization shall expire on December 10, 2004. Should the Hospital’s expansion and renovation project not be completed by that date, and should the 36 licensed medical/surgical beds not have received licensure or not have become operational by that date, the Hospital must seek further approval from OHCA to complete the project beyond that date.
2. The Hospital shall not exceed the approved total capital expenditure of \$18,700,000. In the event that the Hospital learns of potential cost increases or expects that final project costs will exceed those approved, the Hospital shall file with OHCA a request for approval of the revised CON project budget.
3. The Hospital’s approved new licensed bed total is 130 acute care beds.
4. The Hospital shall submit a Certificate of Need application for any future expansion of the Pavilion.

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

May 10, 2002  
Date

Signed by:  
Raymond J. Gorman  
Commissioner

RJG: km  
Decision/01-566dec