



Office of Health Care Access Certificate of Need Application

Proposed Final Decision

Applicant: Park City Primary Care Center, Inc.

Docket Number: 02-513

Project Title: Sale of Assets from Park City Primary Care Center, Inc. to Bridgeport Community Health Center, Inc.

Statutory Reference: Sections 19a-638 and 19a-639, Connecticut General Statutes

Filing Date: March 18, 2003

Hearing Date: April 25, 2003

Presiding Officer: Susan Cole England

Parties: Bridgeport Community Health Center, Inc.
Bridgeport Hospital
St. Vincent's Medical Center

Intervenor: Southwest Community Health Center, Inc.

Decision Date: May 7, 2003

Default Date: June 16, 2003

Staff: Kim Martone
Steven Lazarus

Project Description: Park City Primary Care Center, Inc. (“Applicant” or “PCPCC”) proposes to sell its assets to Bridgeport Community Health Center, Inc., at a total capital value of \$1,886,875.

Nature of Proceedings: On March 18, 2003, the Office of Health Care Access (“OHCA”) received the completed Certificate of Need (“CON”) application of Park City Primary Care Center, Inc. seeking authorization to sell its assets to Bridgeport Community Health Center, Inc., at a total capital value of \$1,886,875. 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 hearing for the CON application pursuant to Section 19a-643-45 of OHCA’s Regulations, and claimed that the CON application is non-substantive as defined in Section 19a-643-95(3) of OHCA’s Regulations. On March 19, 2003, the Applicant was informed that the CON application was eligible for consideration of waiver of public hearing, and a notice to the public was published in *The Connecticut Post* in Bridgeport. During the public comment period OHCA received comment from Southwest Community Health Center, Inc. opposing the waiver of public hearing and requesting a hearing. On April 9, 2003, OHCA determined that the proposal did not qualify as a CON application that is non-substantive and denied the Applicant’s waiver of hearing.

A public hearing was held on April 25, 2003. The Applicant was notified of the date, time, and place of the hearing and a notice to the public was published prior to the hearing in the *Connecticut Post* in Bridgeport. Susan Cole England, Certificate of Need Supervisor, was designated by Commissioner Mary M. Heffernan to serve as presiding officer and to render a proposed final decision in this matter. The public 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 Sections 19a-638 and 19a-639, C.G.S.

Bridgeport Community Health Center, Inc., Bridgeport Hospital and St. Vincent’s Medical Center requested and were granted Party status in this proceeding.

Southwest Community Health Center, Inc. requested Party or in the alternative Intervenor Status with the right of cross-examination and was granted Intervenor status with no right of cross-examination in this proceeding.

The Presiding Officer heard testimony from witnesses for the Applicant, the Parties and Intervenor 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 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

Each finding of fact included in this Final Decision has been taken from the CON application and related CON filings. A source reference is included with each finding of fact. All CON Applicants must attest to the accuracy and correctness of the information submitted to OHCA as part of the CON application process.

Clear Public Need

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

- 1) Park City Primary Care Center, Inc. ("PCPCC" or "Applicant") is a non-stock corporation that provides primary care services in the South End of Bridgeport. The outpatient services provided include adult and pediatric ambulatory medical care, case management and health education. *(May 17, 2002, CON Application, pages 2 and 4 and Attachment A)*
- 2) PCPCC is sponsored and overseen by Bridgeport Hospital and St. Vincent's Medical Center in Bridgeport. Each hospital has 4 members on the Board of Directors and both equally fund PCPCC's operating losses. *(May 19, 1999 CON Decision, DN 98-557, and May 17, 2002, CON Application, Attachment F)*
- 3) PCPCC was formed in 1993 as a result of the merger of Park City Hospital into Bridgeport Hospital under Docket Number 92-578, as subsequently modified under Docket Numbers 93-523R, 93-546R, 93-549R, 94-545R, and 95-516Ra and further defined by Docket Number 93-545. *(May 19, 1999, PCPCC and Bridgeport Hospital Decision, DN: 98-557, FF# 3)*
- 4) On May 19, 1999 under Docket Number 98-557, OHCA authorized the construction of a replacement facility by PCPCC and Bridgeport Hospital. The replacement facility is located at 64 Black Rock Avenue in Bridgeport, adjacent to the old Park City Hospital building and consists of two units. PCPCC owns Unit A valued at 85% of the total building cost. Bridgeport Hospital owns Unit B valued at 15% of the total building cost and operates an OB/GYN Clinic in this unit. *(May 19, 1999 CON Decision, DN 98-557, and May 17, 2002, CON Application, Attachment F)*
- 5) PCPCC began serving patients at its new location on December 29, 2001. *(May 17, 2002, CON Application, Attachment F)*
- 6) The proposal is to change ownership of Unit A of the existing facility from PCPCC to Bridgeport Community Health Center, Inc. ("BCHC"). BCHC will own 100% of the assets and operate PCPCC as a satellite facility. *(May 17, 2002, CON Application, Attachment A)*
- 7) The terms of the transaction are as follows: *(May 17, 2002, CON Application, Attachment H, Asset Acquisition (Third Agreement) Amendment and Second Amendment and Restated Asset Acquisition Agreement and Attachment I)*

- a) The Applicant shall convey Unit A of the two condominium units comprising approximately 8,925 square feet to BCHC. Unit B, the OB-GYN unit, comprising approximately 1,575 square feet shall continue to be owned by Bridgeport Hospital.
 - i) 85% ownership by BCHC and,
 - ii) 15% ownership by Bridgeport Hospital.
 - b) BCHC will provide obstetrical and gynecological services in the OB/GYN unit at the new facility on a contract basis with Bridgeport Hospital.
 - c) The purchase price of all assets and assumed liabilities shall be \$10.00.
 - d) BCHC will offer continued employment to not less than 80% of existing PCPCC staff.
 - e) BCHC will maintain its status as a federally qualified health center and will own the Premises and use it for the provision of primary care to the medically under-served.
 - f) BCHC will have the rights to the name "Park City Primary Care Center, Inc."
 - g) PCPCC will make available to BCHC at closing \$1,275,000 to fund operating losses at the PCPCC site during a transition period from closing until BCHC receives (or is reasonably anticipated to receive) Section 330 Grant funding for the PCPCC site.
 - h) PCPCC's Board of Directors will dissolve and its members will resign upon the execution of the sale of PCPCC's assets to BCHC. BCHC will expand its Board of Directors to include two of PCPCC's current Board members. BCHC's Board of Directors will assume the role of governing PCPCC.
- 8) BCHC is a federally qualified health center ("FQHC") located at 471 Barnum Avenue in Bridgeport, which provides outpatient health care services to the medically under-served including obstetrical and gynecological services. *(March 18, 2003, Responses to Completeness, Attachment H, Exhibit C)*
- 9) BCHC as a FQHC receives financial benefits that are unavailable to PCPPC as a non-profit health center, as follows:
- Cost-based reimbursement from Medicaid and Medicare;
 - Funding under Section 330 of the Public Health Services Act;
 - Malpractice protection under the federal Torts Claims Act;
 - Access to providers in the National Health Services Corps; and
 - Pharmaceutical discounts.
- (May 17, 2002, CON Application, Attachment B)*

- 10) The proposed sale of assets from PCPCC to BCHC will enable PCPCC to receive the same financial benefits related to FQHCs as BCHC. *(May 17, 2002, CON Application, Attachment B)*
- 11) Upon implementation of the proposal, BCHC plans to expand the services offered at the PCPCC location to include dental and mental health and substance abuse services pursuant to Section 19a-639(d) C.G.S. *(May 17, 2002, CON Application, Attachment B)*
- 12) Southwest Community Health Center, Inc. (“SWCHC”) is a FQHC and is the only other provider of primary medical, dental, and behavioral health services in the Southwestern part of Bridgeport. *(May 17, 2002, CON Application, Attachment A)*
- 13) On March 1, 2003, BCHC received approval from the Health Resources and Services Administration (“HRSA”) and the Bureau of Primary Health Care to add PCPCC as an additional FQHC site. The letter encouraged BCHC to continue to explore a collaborative relationship with SWCHC. *(March 18, 2003, Responses to Completeness)*
- 14) Actual utilization statistics for PCPCC for Fiscal Year (“FY”) 2002 and projected utilization statistics without, incremental to and with the CON proposal for FYs 2003 to FY 2005 are as follows: *(March 18, 2003, Responses to Completeness, Attachment L)*

Table I: Total Outpatient Primary Care Visits

	FY 2002	FY 2003	FY 2004	FY 2005
Without	19,000	15,843	16,000	16,250
Incremental		3,000	5,000	5,500
With		18,843	21,000	21,750

- 15) The Applicant’s current and projected payer mix for three years of operation, is as follows: *(May 17, 2002, CON Application, Attachment K and April 25, 2003, Hearing Testimony)*

Table 2: Payer Mix

Payer	2002	2003	2004	2005
Medicare	5%	5%	5%	5%
Medicaid	65%	55%	53%	51%
TriCare				
Commercial Insurers	2%	5%	6%	7%
Self-Pay	28%	32%	33%	34%
Workers Compensation				
Uncompensated Care		3%	3%	3%
Total Payer Mix	100.0%	100.0%	100.0%	100.0%

- 16) Medicaid currently reimburses PCPCC on average \$21.61 per visit and there is no reimbursement for uninsured patients. Upon implementation of the proposal, PCPCC will be a FQHC and will be reimbursed at \$115 per visit for Medicaid patients. It will also be eligible for funding for its uninsured population under Section 330 of the Public Health Act. *(April 21, 2003 Testimony of Thomas Hill, President of PCPCC and prospective COO of BCHC)*

17) The Applicant testified to the following:

- PCPCC serves the working poor, most of who walk to PCPCC. These patients need dental care and expanded mental health services, which PCPCC is unable to provide due to financial constraints.
- Despite the financial constraints, PCPCC has provided or arranged for various preventive, screening and outreach primary care programs through grants in the South End. As a result of these efforts, the number of annual outpatient visits to PCPCC has increased from 14,200 in 1994 to 18,200 in 2001 and nearly 16,000 in 2002.
- BCHC now operates six sites and every one of those sites receives Section 330 funding and there is no reason to believe that the PCPCC site will not receive Section 330 funding.

(April 21, 2003 Testimony of Thomas Hill, President of PCPCC and prospective COO of BCHC)

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

18) The Applicant's proposal has a total capital value of \$1,886,875, which includes:

(May 17, 2002, CON Application, page 6)

Table 3: Total Capital Value

Component	Cost
Moveable Equipment (Purchase)	\$107,840
Land	\$276,250
Construction/Renovation	\$1,502,785
Total Capital Value	\$1,886,875

19) The total capital value will be financed through the Applicant's operations.

Specifically, Park City Fund G will contribute \$1,000,000 and Bridgeport Hospital and St. Vincent's Medical Center in Bridgeport will fund the remaining \$886,875.

(May 17, 2002, CON Application, page 6)

20) PCPCC has incurred losses in operations averaging \$800,000 per year, which has been subsidized by Bridgeport Hospital and St. Vincent's Medical Center. The hospitals are no longer able to subsidize the operating losses suffered by PCPCC.

(May 17, 2002, CON Application, Attachment A)

21) The Applicant projects losses in revenues of \$143,468, \$504,658, and \$258,539 for FYs 2003, 2004, and 2005 due to phasing of FQHC status. *(March 18, 2003, Responses to Completeness, Attachment L)*

- 22) The Applicant projects a closing date for the proposal of April 30, 2003 and a start date of Section 330 funding of PCPCC as February 1, 2005. *(March 18, 2003, Responses to Completeness, Attachment L)*
- 23) The Applicant proposes hiring an additional 7.5 Full-Time Equivalents (“FTEs”) in FY 2003 with the proposal including a physician, part-time dentist, nurse, medical assistant, social worker, and business personnel. *(March 18, 2003, Responses to Completeness, page 2)*
- 24) The Applicant’s rates are sufficient to cover the proposed capital cost and operating costs associated with the Applicant’s proposal. *(March 18, 2003, Responses to Completeness, Attachment L)*

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

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

- 25) There is no State Health Plan in existence at this time. *(May 17, 2002, CON Application, page 2)*
- 26) The Applicant has adduced evidence that this proposal is consistent with the Applicant’s long-range plan. *(May 17, 2002, CON Application, page 2)*
- 27) The Applicant is currently participating in energy conservation and applications of technology to improve productivity and contain costs. The new building has also improved productivity and contained costs. *(May 17, 2002, CON Application, page 3 and Attachment F)*
- 28) This proposal will not result in changes to the Applicant’s teaching and research responsibilities. *(May 17, 2002, CON Application, page 2)*

- 29) The distinguishing characteristic of the Applicant's patient/physician mix is the availability of bilingual staff at PCPCC who serve the low income and Spanish-speaking residents in the South End of Bridgeport. (*May 17, 2002, CON Application, page 4, Attachment G*)
- 30) The Applicant has sufficient technical, financial and managerial competence to provide efficient and adequate service to the public. (*May 17, 2002, CON Application, Attachment C*)

Rationale

OHCA's decision in this matter relates solely to the proposal to transfer the assets of Park City Primary Care Center, Inc. ("PCPCC") to Bridgeport Community Health Center, Inc. ("BCHC"). OHCA's review process in Docket Number 02-513 does not involve a determination of need for services provided at the PCPCC site. With respect to services currently being provided by PCPCC, those services were the subject of prior OHCA decisions. With respect to additional services which BCHC is proposing to provide at that site subsequent to the transfer of assets, such proposal, as it has been described by BCHC, would not be subject to review by OHCA on the basis of Section 19a-639(d), C.G.S.

PCPCC based the need for the sale of its assets to BCHC on reimbursement issues. BCHC as a federally qualified health center ("FQHC") receives financial benefits that are unavailable to PCPCC as a non-profit health center, including cost-based reimbursement from Medicaid and Medicare; funding under Section 330 of the Public Health Services Act; malpractice protection under the federal Torts Claims Act; access to providers in the National Health Services Corps; and pharmaceutical discounts. For ten years, the reimbursement rates that PCPCC has been receiving have been inadequate to cover its cost structure. PCPCC is not reimbursed for any of its uninsured patients. The Applicant has not been able to provide dental care and expanded mental health services to its existing population due to financial constraints. In March 2003, BCHC received approval from the Health Resources and Services Administration ("HRSA") and the Bureau of Primary Health Care ("BPHC") to add PCPCC as an additional FQHC site. The proposed sale of assets from PCPCC to BCHC will enable PCPCC to realize the same financial benefits as an FQHC. Further, BCHC plans to expand its services to include dental and mental health and substance abuse services pursuant to Section 19a-639(d), C.G.S. As a FQHC, PCPCC's Medicaid reimbursement will increase from an average of \$21.61 per visit to \$115 per visit.

Currently Bridgeport Hospital and St. Vincent's Medical Center jointly own and fund PCPCC. With the sale of 100% of PCPCC's assets to BCHC, PCPCC as a legal entity is terminated. Therefore, the hospitals are relieved of their funding obligations. BCHC will own and operate PCPCC as a satellite of its facility and continue to provide primary care to the medically underserved. BCHC will have the rights to the name "Park City Primary

Care Center, Inc.” PCPCC’s Board of Directors will dissolve and its members will resign upon the execution of the sale of PCPCC’s assets to BCHC. BCHC will expand its Board of Directors to include two of PCPCC’s current Board members. BCHC’s Board of Directors will assume the role of governing PCPCC.

Despite the financial constraints, PCPCC has used grant funding to provide or arrange various preventive, screening and outreach primary care programs in the South End. As a result of these efforts, the number of annual outpatient visits to PCPCC was 14,200 in 1994, 18,200 in 2001, and nearly 16,000 in 2002. PCPCC projects an additional 3,000-5,000 annual outpatient visits with the proposal. While OHCA is not determining the need for services as part of this CON determination, OHCA does find that the proposed sale will increase access to the residents of the community with the provision of additional needed services. Southwest Community Health Center (“SWCHC”) is the only other provider of primary, dental and behavioral health services in the area. OHCA encourages the Applicant to continue to explore a collaborative relationship with SWCHC.

The proposal is financially feasible. The total capital value associated with the change in ownership is \$1,886,875, which will be financed through operations, specifically Park City Fund G will contribute \$1,000,000 and Bridgeport Hospital and St. Vincent’s Medical Center in Bridgeport will fund the remaining \$886,875. PCPCC has incurred losses in operations averaging \$800,000 per year, which has been subsidized by Bridgeport Hospital and St. Vincent’s Medical Center. The hospitals are no longer able to subsidize the operating losses suffered by PCPCC. PCPCC will make available to BCHC \$1,275,000 to fund operating losses of PCPCC during a transition period from closing on April 30, 2003 until BCHC receives Section 330 Grant funding for PCPCC’s business. PCPCC’s projected operating losses will decrease annually upon receipt of Section 330 funding. Therefore, the Applicant will be able to cover the associated capital value and projected operating losses. BCHC will offer continued employment to not less than 80% of existing PCPCC staff. BCHC will be hiring additional staff to provide the new services. With the increase in volume and reimbursement, the CON proposal is in the best interests of consumers and payers.

Based on the foregoing Findings and Rationale, the Certificate of Need application of the Park City Primary Care Center, Inc. for the sale of its assets to Bridgeport Community Health Center, Inc., at a total capital value of \$1,886,875, is hereby GRANTED.

Order

The Park City Primary Care Center, Inc. is hereby authorized to sell its assets to Bridgeport Community Health Center, Inc., at a total capital value of \$1,886,875. This authorization is subject to the following conditions:

1. This authorization shall expire on May 7, 2004, unless the Applicant presents evidence to OHCA that the change in ownership has been executed by that date.
2. The Applicant shall not exceed the approved capital value of \$1,886,875. In the event that the Applicant learns of potential cost increases or expects that the final project costs will exceed those approved, the Applicant shall file with OHCA a request for approval of the revised project budget.
3. Bridgeport Hospital and St. Vincent's Medical Center are relieved from their obligation to fund PCPCC's operating losses and assist in the operation of PCPCC.

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

Date signed:
May 13, 2003

Signed by:
Susan Cole England
Presiding Officer

MMH:km
Decision/02513