



Office Of Health Care Access Certificate of Need Application

Final Decision

Applicant: Yale-New Haven Hospital

Docket Number: 03-30047

Project Title: Renovations to Yale-New Haven Children's Hospital including an Increase in the Number of PICU Beds

Statutory Reference: Section 19a-639 of the Connecticut General Statutes

Filing Date: August 6, 2003

Hearing: Waived

Decision Date: September 9, 2003

Default Date: November 4, 2003

Staff Assigned: Harold M. Oberg
Paolo Fiducia

Project Description: Yale-New Haven Hospital ("Hospital") proposes to perform renovations to the Yale-New Haven Children's Hospital including an increase in the number of Pediatric Intensive Care Unit ("PICU") beds, at a total capital expenditure of \$2,314,000. The Hospital's proposal involves the creation of a high acuity bed cluster in pediatrics on the 7th floor of the Hospital's West Pavilion and the expansion of the Hospital's PICU from 11 licensed beds to 19 licensed beds but with no overall increase in licensed beds.

Nature of Proceedings: On August 6, 2003, the Office of Health Care Access ("OHCA") received a Certificate of Need ("CON") application from Yale-New Haven Hospital for renovations to the Yale-New Haven Children's Hospital including an increase in the number of PICU beds, at a total capital expenditure of \$2,314,000. The Hospital is a health care facility or institution as defined by Section 19a-630 of the Connecticut General Statutes ("C.G.S.").

The Hospital 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 August 13, 2003, the Hospital 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 *New Haven Register*. OHCA received no comments from the public concerning the Hospital's request for waiver of hearing during the public comment period, and therefore on September 3, 2003, OHCA granted the Hospital's request for waiver of hearing.

OHCA's authority to review and approve, modify or deny the CON application is established by Section 19a-639, C.G.S. The provisions of this section as well as the principles and guidelines set forth in Section 19a-637, C.G.S., were fully considered by OHCA in its review.

Findings of Fact

Clear Public Need

Impact of the Proposal on the Applicant'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. Yale-New Haven Hospital ("Hospital") is an acute care general hospital located at 20 York Street in New Haven, Connecticut. The Hospital's total licensed bed capacity of 944 beds and bassinets includes 852 licensed beds and 92 licensed bassinets. (*July 15, 2003 CON Application, Page 102*)
2. The Yale-New Haven Children's Hospital ("YNHCH") opened in 1993 offers a full array of specialties and subspecialties in pediatrics. YNHCH annually sees approximately 6,200 inpatient cases and 75,000 outpatient cases. (*July 15, 2003 CON Application, Page 6*)
3. The Hospital proposes to perform renovations to the YNHCH, at a total capital expenditure of \$2,314,000. The Hospital's proposal involves the creation of a high acuity bed cluster in pediatrics of the 7th floor of the Hospital's West Pavilion and the expansion of the Hospital's Pediatric Intensive Care Unit ("PICU") from 11 licensed beds to 19 licensed beds with no overall increase in licensed beds. (*July 15, 2003 CON Application, Pages 5, 7, 9 and 10*)
4. The current PICU has an insufficient number of beds. During the past few years at peak census times (September through April), up to 30 patients have been turned away because they could not be admitted to the unit. These patients had to be transported to another hospital out of the area to other children's healthcare facilities. (*July 15, 2003 CON Application, Page 8*)
5. The need for private rooms for pediatric patients has increased over the last decade. Parents need adequate space so that they can stay with their sick child at all times and have the necessary privacy, which is consistent with family-centered care. In addition, infection control requirements have changed over the last decade. The need for

isolation rooms has increased dramatically due to infectious diseases as well as increases in the number of immuno-compromized patients who need to be protected from infectious organisms. *(July 15, 2003 CON Application, Page 7)*

6. The demand for pediatric high acuity and step-down beds has continued to grow also. Over the last ten years, patient acuity has increased, which has led to a growing need for more sophisticated monitoring equipment. Technological advancements in the treatment of childhood illnesses and diseases have also contributed to the increased use of high acuity pediatric beds. *(July 15, 2003 CON Application, Page 7)*
7. During the most recent JCAHO survey, the inspector noted that “the space in the pediatric (respiratory) care unit is not adequate to accommodate the number of patients and the equipment required for patient care.” *(July 15, 2003 CON Application, Page 9)*
8. The Hospital’s proposed high acuity pediatric bed cluster will house the PICU, the pediatric respiratory care unit, step-down beds, and isolation rooms. *(July 15, 2003 CON Application, Page 7)*
9. The Hospital’s actual PICU admissions were 618 in FY 2000, 611 in FY 2001 and 624 in FY 2002, and the Hospital’s actual PICU patient days were 2,527 in FY 2000, 2,626 in FY 2001 and 2,452 in FY 2002. *(August 6, 2003 Completeness Responses, Page 2)*
10. The Hospital’s projected PICU admissions and projected PICU patient days with, without and incremental to the CON proposal for FY 2003, FY 2004 and FY 2005 are as follows: *(August 6, 2003 Completeness Responses, Page 10)*

Table 1: Hospital’s Projected PICU Admissions and PICU Patient Days

Description	FY 2003	FY 2004	FY 2005
Projected PICU Admissions: With the CON Proposal	624	832	1,192
Projected PICU Admissions: Without the CON Proposal	624	624	624
Projected PICU Admissions: Incremental to Proposal	0	208	568
Projected PICU Patient Days: With the CON Proposal	2,496	3,577	5,366
Projected PICU Patient Days: Without the CON Proposal	2,496	2,496	2,496
Projected PICU Patient Days: Incremental to Proposal	0	1,081	2,870

11. The high acuity bed cluster will be located on the 7th floor of the West Pavilion and will include 18,025 gross square feet of renovated space. The renovated space will be reconfigured to provide 15 private rooms and 2 semi-private rooms that can accommodate up to 19 patients. The PICU will temporarily relocate to the 7th floor of the South Pavilion while building renovation work is being completed in order that patient care will not be interrupted during the planned renovations. *(July 15, 2003 CON Application, Pages 20 and 21)*
12. The Hospital anticipates that the CON proposal’s building renovations will commence in October 2003 and will be completed in February 2004, and that the renovated and expanded high acuity pediatrics bed cluster will become operational in February 2004. *(July 15, 2003 CON Application, Page 22)*

**Financial Feasibility and Cost Effectiveness 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 the Payers for Such Services**

13. The Hospital's total capital expenditure of \$2,314,000 for the CON proposal includes the following capital cost components: *(July 15, 2003 CON Application, Pages 19 and 21)*

Table 2: Hospital's Total Capital Expenditure for the CON Proposal

Description	Total
Medical Equipment (Purchase)	\$ 493,128
Non-Medical Equipment (Purchase)	35,782
Building Renovations	1,194,000
Architectural and Engineering Costs	174,000
Contingency Costs	326,778
Other Project Costs	90,312
Total Capital Expenditure for the CON Proposal	\$2,314,000

14. The total capital expenditure of \$2,314,000 will be financed entirely by a Hospital equity contribution consisting of \$312,800 from operating funds, \$750,000 from a current fund raising campaign and \$1,251,200 from funded depreciation. *(July 15, 2003 CON Application, Pages 22 and 23)*

15. The Hospital projects incremental revenue from operations, total operating expense and gain/(loss) from operations associated with the CON proposal as follows: *(August 6, 2003 Completeness Responses, Page 10)*

Table 3: Hospital's Incremental Financial Projections for FY 2003, FY 2004 and FY 2005

Description	FY 2003	FY 2004	FY 2005
Incremental Revenue from Operations	\$ 0	\$1,972,000	\$3,046,000
Incremental Total Operating Expense	0	1,954,000	3,058,000
Incremental Gain/(Loss) from Operations	\$ 0	\$ 18,000	\$ (12,000)

16. The Hospital's projected payer mix during the first three years of implementation and operation of the CON proposal is as follows: *(July 15, 2003 CON Application, Page 23)*

Table 4: Hospital's Three-Year Projected Payer Mix

Payer Mix	Year 1	Year 2	Year 3
Medicare	37.31%	37.31%	37.31%
Medicaid	12.87%	12.87%	12.87%
TriCare	0.31%	0.31%	0.31%
Total Government	50.49%	50.49%	50.49%
Commercial Insurers	47.98%	47.98%	47.98%
Self-Pay	.42%	.42%	.42%
Workers Compensation	1.11%	1.11%	1.11%
Total Non-Government	49.51%	49.51%	49.51%
Uncompensated Care	0.0%	0.0%	0.0%
Total Payer Mix	100.0%	100.0%	100.0%

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.:

17. There is no State Health Plan in existence at this time. *(July 15, 2003 CON Application, Page 6)*
18. The Hospital has adduced evidence that the proposal is consistent with the Hospital's long-range plan. *(July 15, 2003 CON Application, Page 6)*
19. The Hospital has improved productivity and contained costs by undertaking energy conservation, reengineering, application of new technology and group purchasing activities. *(July 15, 2003 CON Application, Page 18)*
20. The proposal will not result in any change to the Hospital's teaching and research responsibilities. *(July 15, 2003 CON Application, Page 18)*
21. There are no distinguishing or unique characteristics of the Hospital's patient/physician mix related to the proposal. *(July 15, 2003 CON Application, Page 18)*
22. The Hospital has sufficient technical, financial and managerial competence and expertise to provide efficient and adequate service to the public. *(July 15, 2003 CON Application, Appendix V, Pages 66 through 100)*

Rationale

Yale-New Haven Hospital (“Hospital”) proposes to perform renovations to the Yale-New Haven Children’s Hospital, at a total capital expenditure of \$2,314,000. The Hospital’s proposal involves the creation of a high acuity bed cluster in pediatrics and the expansion of the Hospital’s Pediatric Intensive Care Unit (“PICU”) from 11 beds to 19 beds but with no overall increase in licensed beds.

During the past few years at peak census times (September through April), up to 30 PICU patients have been turned away because they could not be admitted to the unit. These patients had to be transported to another children’s healthcare facility. The need for private rooms for pediatric patients has increased over the last decade. Parents need adequate space so that they can stay with their sick child at all times and have the necessary privacy, which is consistent with family-centered care. Infection control requirements have also changed over the last decade, and the need for isolation rooms has increased dramatically due to infectious diseases and increases in the number of immunocompromized patients needing protection from infectious organisms.

Over the last ten years patient acuity has increased, which has led to a growing need for more sophisticated monitoring equipment. Technological advancements in the treatment of childhood illnesses and diseases have also contributed to the increased use of high acuity pediatric beds. During the most recent JCAHO survey, the inspector noted that the space in the Hospital’s pediatric respiratory care unit is not adequate to accommodate the number of patients and the equipment required for patient care. The Hospital’s proposed high acuity pediatric bed cluster will house the PICU, the pediatric respiratory care unit, step-down beds and isolation rooms. Based on the foregoing reasons, OHCA finds that the CON proposal will improve both the quality and accessibility of the Hospital’s existing PICU and high acuity pediatric services.

The proposal’s total capital expenditure of \$2,314,000 will be funded entirely by an equity contribution consisting of \$312,000 from operating funds, \$750,000 from a current fund raising campaign and \$1,251,200 from funded depreciation. The Hospital projects incremental PICU admissions of 208 in FY 2004 and 568 in FY 2005 and incremental PICU patient days of 1,081 in FY 2004 and 2,870 in FY 2005. In addition, the Hospital also projects minimal incremental gains/(losses) from operations of \$18,000 in FY 2004 and \$(12,000) in FY 2005 due to the CON proposal, which places the CON proposal in a financial break-even position. The Hospital’s volume projections and the financial projections upon which they are based appear to be reasonable and achievable. Therefore, OHCA finds that the CON proposal is both financially feasible and cost effective.

Based upon the foregoing Findings and Rationale, the Certificate of Need application of Yale-New Haven Hospital to perform renovations to the Yale-New Haven Children’s Hospital including an increase in the number of Pediatric Intensive Care Unit beds, at a total capital expenditure of \$2,314,000, is hereby GRANTED.

Order

Yale-New Haven Hospital ("Hospital") is hereby authorized to perform renovations to the Yale-New Haven Children's Hospital including an increase in the number of Pediatric Intensive Care Unit ("PICU") beds, at a total capital expenditure of \$2,314,000, subject to the following conditions:

1. This authorization shall expire on September 30, 2005. Should the Hospital's PICU and high acuity pediatrics renovation and expansion project not be completed 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 capital expenditure of \$2,314,000. 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 total licensed bed capacity shall remain at 944 licensed beds and bassinets including 852 licensed beds and 92 licensed bassinets.

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:
September 9, 2003

Signed by:
Mary M. Heffernan
Commissioner

MMH:ho

Table Descriptions

**Yale-New Haven Hospital
Renovations to Yale-New Haven Children's Hospital including an Increase
in the Number of PICU Beds
CON Final Decision, Docket Number 03-30047**

Table 1

Title: Hospital's Projected PICU Admissions and PICU Patient Days

The Hospital's projected number of PICU admissions with the CON proposal is 624 in FY 2003, 832 in FY 2004 and 1,192 in FY 2005. The Hospital's projected number of PICU admissions without the CON proposal is 624 in FY 2003, 624 in FY 2004 and 624 in FY 2005. The Hospital's projected number of PICU admissions incremental to the CON proposal is 0 in FY 2003, 208 in FY 2004 and 568 in FY 2005.

The Hospital's projected number of PICU patient days with the CON proposal is 2,496 in FY 2003, 3,577 in FY 2004 and 5,366 in FY 2005. The Hospital's projected number of PICU patient days without the CON proposal is 2,496 in FY 2003, 2,496 in FY 2004 and 2,496 in FY 2005. The Hospital's projected number of PICU patient days incremental to the CON proposal is 0 in FY 2003, 1,081 in FY 2004 and 2,870 in FY 2005.

Table 2

Title: Hospital's Total Capital Expenditure for the CON Proposal

The total capital expenditure for the CON proposal is \$2,314,000 and includes \$493,128 for medical equipment purchases, \$35,782 for non-medical equipment purchases, \$1,194,000 for building renovations, \$174,000 for architectural and engineering costs, \$326,778 for contingency costs and \$90,312 for other project costs.

Table 3

Title: Hospital's Incremental Financial Projections for FY 2003, FY 2004 and FY 2005

The projected incremental revenue from operations for the proposal is \$0 in FY 2003, \$1,972,000 in FY 2004 and \$3,046,000 in FY 2005. The projected incremental total operating expense for the proposal is \$0 in FY 2003, \$1,954,000 in FY 2004 and \$3,058,000 in FY 2005. The projected incremental gain/(loss) from operations for the proposal is \$0 in FY 2003, \$18,000 in FY 2004 and \$(12,000) in FY 2005.

Table 4

Title: Hospital's Three-Year Projected Payer Mix

The projected payer mix remains constant in each category for the first three years of implementation and operation of the CON proposal. Total Government reimbursement is projected to account for 50.49% of total reimbursement with Medicare at 37.31%, Medicaid at 12.87% and TriCare (Champus) at 0.31%. Total Non-Government reimbursement is projected to account for 49.51% of total reimbursement with

Commercial Insurers at 47.98%, Self-Pay Patients at 0.42% and Workers Compensation at 1.11%. Uncompensated Care is projected to be 0.00% of total reimbursement.