



Office of Health Care Access Certificate of Need Application

Final Decision

Applicant: Morris Foundation, Inc.

Docket Number: 03-30137-CON

Project Title: Relocation of Services to 380-402 East Main Street in Waterbury, Connecticut

Statutory Reference: Section 19a-639, Connecticut General Statutes

Filing Date: September 8, 2003

Hearing: Waived

Decision Date: October 10, 2003

Default Date: December 7, 2003

Staff Assigned: Paolo Fiducia and Laura Jaworski

Project Description: The Morris Foundation, Inc. (“Applicant”) proposes to relocate its existing outpatient behavioral health treatment, prevention, support, and administrative services from 95 Scovill Street to 380-402 East Main Street in Waterbury, Connecticut, at a total capital expenditure of \$1,150,000 plus \$359,827 in capitalized financing costs for a total capital cost of \$1,509,827.

Nature of Proceedings: On September 8, 2003, the Office of Health Care Access (“OHCA”) received Morris Foundation Inc.’s Certificate of Need (“CON”) application seeking authorization to relocate its existing outpatient behavioral health treatment, prevention, support, and administrative services from 95 Scovill Street to 380-402 East Main Street in Waterbury, Connecticut. The proposal’s total capital expenditure is \$1,150,000 plus \$359,827 in capitalized financing costs for a total capital cost of

\$1,509,827. 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 for the CON application 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. On September 9, 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 *Waterbury Republican-American*. OHCA received no comments concerning the Applicant’s request for waiver of public hearing during the public comment period, and therefore on September 30, 2003, OHCA granted the Applicant’s request for waiver of public hearing.

OHCA’s authority to review, approve, modify or deny this proposal 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 Proposal’s Contribution to Accessibility and Quality of Health Care Delivery in the Region

1. The Morris Foundation, Inc. (“Applicant”) is a non-profit provider of outpatient behavioral health services located at 95 Scovill Street in Waterbury, Connecticut. (*July 7, 2003, Letter of Intent, page 1 and September 8, 2003, CON Application, pages 1 and 6*)
2. The Applicant proposes to relocate its services from its current leased location at 95 Scovill Street, to purchased space at 380-402 East Main Street in Waterbury. Prevention, support, and administrative services will relocate as well. (*July 7, 2003, Letter of Intent, page 2 and September 8, 2003, CON Application, page 1*)
3. On July 9, 2003, OHCA issued CON Determination Report Number 03-30137-DTR, which stated that CON authorization was required pursuant to Section 19a-639, C.G.S. because the capital expenditure associated with the proposal exceeded the statutory threshold of one million dollars for CON review. (*July 9, 2003, CON Determination Report 03-30137-DTR*)
4. The Applicant provides outpatient behavioral health services to individuals with substance use disorders or co-occurring mental health and substance use disorders. These services include evaluation/assessment; individual, group, and family counseling; intensive outpatient program; urine drug screening; hair testing; medicine management; and psycho-educational groups. (*July 7, 2003, Letter of Intent, Project Description and July 9, 2003, CON Determination Report 03-30137-DTR*)

5. The Applicant does not intend to initiate or terminate programs as a result of the proposed relocation. *(September 8, 2003, CON Application, page 1)*
6. Municipalities in the Applicant's service area include Cheshire, Middlebury, Naugatuck, Prospect, Thomaston, Waterbury, Watertown, Wolcott, and Woodbury. *(September 8, 2003, CON Application, page 2)*
7. In the Applicant's service area, other providers of outpatient behavioral health services include St. Mary's and Waterbury Hospitals, Family Services of Greater Waterbury, Catholic Family Services, CNV Help, Inc., and the Connecticut Counseling Center. The proposal will have no impact upon the area's existing providers, as the Applicant has co-existed with these providers since 1974. *(September 8, 2003, CON Application, page 3)*
8. The Applicant currently holds State of Connecticut Department of Public Health ("DPH") licenses for a Facility for the Care or Treatment of Substance Abusive or Dependent Persons and as a Psychiatric Outpatient Clinic for Adults. The proposed relocation's anticipated date for DPH licensure is November 15, 2003. *(September 8, 2003, CON Application, pages 6, 8, and Attachment D)*
9. The building at 380 East Main Street will be used for non-clinical activities; the building at 402 East Main Street will house administration, case management, and prevention and outpatient services. *(July 9, 2003, CON Determination Report 03-30137-DTR)*
10. The Applicant's commencement of operations is scheduled for December 2003. *(September 8, 2003, CON Application, page 8)*
11. The proposed hours of operation are 9am to 8pm on Monday, Tuesday, and Thursday, and 9am to 5pm on Wednesday and Friday. *(September 8, 2003, CON Application, page 2)*

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

12. The Applicant's proposal consists of the following capital cost components:

Description	Amount
Land/Building (Purchase)	\$900,000
Non-Construction	250,000
Total Capital Expenditure	\$1,150,000
Capitalized Financing	359,827
Total Capital Cost	\$1,509,827

(September 8, 2003, CON Application, page 7)

13. Non-construction costs include painting, carpeting, window treatments, flooring, security system, telecommunications system, and computer wiring. *(September 8, 2003, CON Application, page 7)*
14. Funding for the proposal will be via a conventional loan at an interest rate of 5.87%, for a monthly payment of \$6,291, for a term of twenty years. A letter of interest from Naugatuck Savings Bank accompanies the Applicant's proposal. *(September 8, 2003, CON Application, pages 8 and 9 and Attachment F)*
15. The relocation proposal was ascertained via an analysis of the Morris Foundation's current costs of leased space versus the costs of purchased space. The Applicant's leasing costs total \$12,000 per month, or \$144,000 annually. In Fiscal Year ("FY") 2002, additional parking fees and taxes increased the Applicant's annual costs to \$173,000. The Applicant's monthly mortgage cost was quoted at \$6,944 per month, and there are no parking fees. In terms of rent, this represents a monthly savings of \$5,056. *(September 8, 2003, CON Application, pages 1 and 2)*
16. Purchased space is a component of the Applicant's Board of Directors' strategic plan for space requirement accommodations and cost reductions. *(September 8, 2003, CON Application, page 2)*
17. The Applicant projects excess in revenues incremental to the project of \$33,600, \$82,200, and \$82,200 for FYs 2004, 2005, and 2006, respectively. *(September 9, 2003, Supplemental Response to Question 14.B [1])*
18. The Applicant's current professional staff and consulting medical director will continue to provide services. *(July 7, 2003, Letter of Intent, Project Description)*
19. The Applicant's projected payer mix for the first three years of operation associated with the CON proposal is as follows:

Payer Mix Percentages			
Payer Source	Year One	Year Two	Year Three
Medicaid	6.6%	6.6%	6.6%
Self-Pay	1.7%	1.7%	1.7%
Grants/General Assistance	91.7%	91.7%	91.7%
Total Payer Mix	100.0%	100.0%	100.0%

(September 8, 2003, CON Application, page 10)

20. Project implementation will have no effect on the Applicant's volume statistics. *(September 9, 2002, Supplemental Response to Question 14.B[1])*

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.:

21. There is no State Health Plan in existence at this time. *(September 8, 2003, CON Application, page 1)*
22. The Applicant has adduced evidence that this proposal is consistent with its long-range plan. *(September 8, 2003, CON Application, page 1)*
23. The Applicant has improved productivity and contained costs through reengineering. *(September 8, 2003, CON Application, page 5)*
24. The proposal will not result in changes to the Applicant's current teaching and research responsibilities. *(September 8, 2003, CON Application, page 5)*
25. There are no distinguishing characteristics of the Applicant's patient/physician mix. *(September 8, 2003, CON Application, page 5)*
26. The Applicant has sufficient technical, financial and managerial competence to provide efficient and adequate services to the public. *(September 8, 2003, CON Application, pages 8-12 and Attachment B)*

Rationale

The Morris Foundation, Inc. ("Applicant") proposes to relocate its existing outpatient behavioral treatment, prevention, support, and administrative services from 95 Scovill Street to 380-402 East Main Street in Waterbury, Connecticut, at a total capital expenditure of \$1,150,000 plus \$359,827 in capitalized financing costs for a total capital cost of \$1,509,827. The Applicant's provision of services consists of outpatient behavioral health treatment to individuals with substance use disorders or co-occurring mental health and substance use disorders, including evaluation/assessment; individual, group, and family counseling; intensive outpatient program; urine drug screening; hair testing; medicine management; and psycho-educational groups. Services are provided to the municipalities of Cheshire, Middlebury, Naugatuck, Prospect, Thomaston, Waterbury, Watertown, Wolcott, and Woodbury. The Applicant's proposal will not result in the addition or termination of any services.

The relocation of the Morris Foundation, Inc.'s leased space at 95 Scovill Street to purchased space at 380-402 East Main Street in Waterbury fits the Applicant's Board of Directors' strategic plan for space requirement accommodations and cost reductions. The building at 380 East Main Street will accommodate non-clinical functions, while the 402 East Main Street site will house administrative, case management, prevention, and outpatient services.

The Applicant currently holds State of Connecticut Department of Public Health licenses for a Facility for the Care or Treatment of Substance Abusive or Dependent Persons and as a Psychiatric Outpatient Clinic for Adults. The proposed relocation's anticipated date for DPH licensure is November 15, 2003. Commencement of operations is slated for December 2003.

The CON proposal's total capital expenditure is \$1,150,000 plus \$359,827 in capitalized financing costs for a total capital cost of \$1,509,827. The project will be funded through a conventional loan at an interest rate of 5.87%, for a monthly payment of \$6,291, for a term of twenty years. Excess revenues incremental to the project are \$33,600, \$82,200, and \$82,200 for Fiscal Years 2004, 2005, and 2006, respectively. Project implementation will result in cost-savings for the Applicant, including savings associated with rent and parking fees. Additionally, the proposal will have no effect upon the Applicant's volume statistics. Therefore, OHCA concludes that the CON proposal is financially feasible and cost-effective.

Based upon the foregoing Findings and Rationale, the Certificate of Need application of the Morris Foundation, Inc. to relocate its existing outpatient behavioral treatment, prevention, support, and administrative services from 95 Scovill Street to 380-402 East Main Street in Waterbury, Connecticut, at a total capital expenditure of \$1,150,000 plus \$359,827 in capitalized financing costs for a total capital cost of \$1,509,827, is hereby GRANTED.

Order

The request of the Morris Foundation, Inc. (“Applicant”) to relocate its existing outpatient behavioral treatment, prevention, support, and administrative services from 95 Scovill Street to 380-402 East Main Street in Waterbury, Connecticut, at a total capital expenditure of \$1,150,000 plus \$359,827 in capitalized financing costs for a total capital cost of \$1,509,827, is approved subject to the following conditions:

1. This authorization shall expire on March 7, 2005. Should the relocation of the Morris Foundation, Inc. from 95 Scovill Street to 380-402 East Main Street in Waterbury, Connecticut not be completed by that date, the Morris Foundation, Inc. must seek further approval from OHCA to complete the project beyond that date.
2. The Morris Foundation, Inc. shall not exceed the approved capital expenditure of \$1,150,000. In the event that the Applicant learns of potential cost increases or expects that the final project costs will exceed those approved, the Morris Foundation, Inc. shall file with OHCA a request for approval of the revised budget.

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:
October 10, 2003

Signed by:
Mary M. Heffernan
Commissioner

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