



Office of Health Care Access Certificate of Need Application

Final Decision

Applicants Griffin Hospital and
Birmingham Group Health Services

Docket Number: 03-30196-CON

Project Title: Merger of Cochran Outpatient Psychiatric Clinic and
Valley Mental Health Center with Transfer of Clinical
and Administrative Control to Birmingham Group
Health Services

Statutory References Section 19a-638, Connecticut General Statutes

Filing Date: February 13, 2004

Decision Date: April 5, 2004

Default Date: May 13, 2004

Staff: Laurie Greci

Project Description: Griffin Hospital and Birmingham Group Health Services (“Applicants”) propose to merge the Cochran Outpatient Psychiatric Clinic into the Valley Mental Health Center and transfer the clinical and administrative control to Birmingham Group Health Services. The total capital expenditure associated with the proposal is \$694,932.

Nature of Proceedings: On February 13, 2004, the Office of Health Care Access (“OHCA”) received the Applicants’ Certificate of Need (“CON”) application seeking authorization to merge the outpatient mental health services of Griffin Hospital’s Cochran Outpatient Psychiatric Clinic and Birmingham Group Health Services’ Valley Mental Health Center and transfer the clinical and administrative control to Birmingham Group Health Services. The total capital expenditure associated with the proposal is \$694,932. The Applicants are health care facilities or institutions as defined by Section 19a-630 of the Connecticut General Statutes (“C.G.S.”).

A notice to the public for the Applicants' Letter of Intent was published in the *Connecticut Post* (Bridgeport) on October 22, 2003. OHCA received no responses from the public concerning the Applicants' proposal.

OHCA's authority to review and approve, modify or deny this proposal is established by Section 19a-638, 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 on the Applicants' Current Utilization Statistics

Contribution of the Proposal to the Quality and Accessibility of Health Care Delivery in the Region

1. Griffin Hospital ("Hospital") is an acute care hospital located at 130 Division Street, Derby, Connecticut. It is a nonprofit tax-exempt subsidiary of the Griffin Health Services Corporation. (*February 13, 2004, CON Application, page 12 and page 1 of Attachment D*)
2. The Cochran Outpatient Psychiatric Clinic ("Clinic"), located at 248 and 250 Seymour Avenue in Derby is a satellite of Griffin Hospital. (*February 13, 2004, CON Application, page 1 of Attachment D*)
3. Valley Mental Health Center, Inc. operates a Psychiatric Outpatient Clinic for Adults with the multi-service component. The Center is located at 435 East Main Street, Ansonia, Connecticut. (*February 13, 2004, CON Application, page 2 of Attachment D*)
4. Birmingham Group Health Services ("BGHS") is a nonprofit CommuniCare organization. BGHS receives funding from the Department of Mental Health and Addiction Services ("DMHAS"), the Department of Social Services, and the Ryan White Title I Program, as well as private organizations such as the Community Foundation for Greater New Haven, the Katharine Matthies Foundation, and the Valley United Way. (*February 13, 2004, CON Application, page 12*)
5. Valley Mental Health Center, Inc. ("VMH Center"), a Connecticut non-stock corporation, is a subsidiary of BGHS. (*February 13, 2004, CON Application, Attachment H*)
6. The Hospital and BGHS ("Applicants") propose to consolidate the following behavioral health services:
 - Triage/Intake
 - Evaluation, Assessment and Referral
 - Individual, Group, and Family Psychotherapy
 - Psychopharmacological therapy
 - Crisis intervention(*February 13, 2004, CON Application, page 1*)

7. The shift to managed care, funding cutbacks in the Medicare and Medicaid programs, and decreases in grant funding have financially strained community-based providers of behavioral health services. *(February 13, 2004, CON Application, page 2)*
8. In November 2000, OHCA and the Office of Policy and Management awarded a \$225,000 grant to Griffin Hospital, Waterbury Hospital, and Saint Mary's Hospital. The grant supported the efforts of the development of a regional behavioral health partnership in the Naugatuck Valley region. *(February 13, 2004, CON Application, page 2)*
9. The "Route 8 Highway Behavioral Health Group", a group of seven community outpatient providers and the three hospitals ("Rte. 8 Group"), investigated the possibility of developing innovative and collaborative business relationships to deliver behavioral health services. Public Consulting Group, Inc. was contracted to assist in the analysis. *(February 13, 2004, CON Application, page 2)*
10. Public Consulting Group, Inc. in their report made the following recommendations:
 - Establish a new, multi-agency, integrated service model that can demonstrate a cost-effective approach to delivery of certain community services;
 - Provide an organization vehicle for all providers to continue to work together on the unique Route 8 issues and opportunities;
 - Continue support for information and education programs to the business community, recruitment of minority culture clinicians, and development of a family-center program model.
 - Conduct a detailed financial feasibility study for an adult outpatient network service.*(February 13, 2004, CON Application, Appendix A, Report Page 5)*
11. A consulting firm completed a financial feasibility study for the Rte. 8 Group in March 2003. They concluded that the consolidation of behavioral health services and resultant efficiencies could collectively improve gross margin assuming that all member agencies consolidated. Savings would be realized through reductions in staff and contracted workers. Additional savings may be obtained through reduction in member agency overhead. *(February 13, 2004, CON Application, Appendix A, Open Mind Report, Pages 6 and 7)*
12. The Hospital and BGHS agreed to move forward with a more formal plan to merge their outpatient behavioral health services. *(February 13, 2004, CON Application, page 3)*
13. Due to the low reimbursement rates from Medicare, Medicaid, and private insurance the Hospital has been losing as much as \$350,00 to \$400,000 per year in its Outpatient Psychiatric Clinic alone. *(February 13, 2004, CON Application, page 3)*
14. The VMH Center has been managing to break even with grants from DMHAS. There is no guarantee that DMHAS will continue such funding. *(February 13, 2004, CON Application, page 3)*
15. The Hospital and BGHS share the same primary and secondary service areas. The towns in the primary service area are Ansonia, Beacon Falls, Derby, Oxford, Seymour, and Shelton. The towns in the secondary service area are Bethany, Monroe, Naugatuck, Orange, Southbury, and Woodbridge. *(February 13, 2004, CON Application, page 3)*

16. The services currently offered by the Clinic will be augmented by additional services that the VMH Center currently offers. These services include, but are not limited to, case management, psychosocial rehabilitation, and domestic violence support. *(February 13, 2004, CON Application, page 1)*
17. All proposed services fall under the VMH Center's current licensure and no additional Department of Public Health licensure categories will be sought. *(October 17, 2003, Letter of Intent, page 5)*
18. The units of service, reported as visits, for each provider for Fiscal Years ("FY") 2001, 2002, and 2003 are summarized in the following table:

Table 1: Number of Visits by Provider

| Provider | Service Area | FY 2001 | FY 2002 | FY 2003 |
|------------------|-----------------------|---------------|---------------|---------------|
| Griffin Hospital | Primary | 6,455 | 6,321 | 5,581 |
| | Secondary | 1,074 | 1,223 | 1,156 |
| | Other | 922 | 926 | 922 |
| | Total | 8,451 | 8,470 | 7,659 |
| Birmingham Group | Primary | 8,206 | 8,717 | 9,349 |
| | Secondary | 274 | 109 | 229 |
| | Other | 929 | 738 | 787 |
| | Total | 9,409 | 9,564 | 10,365 |
| | Combined Total | 17,860 | 18,034 | 18,024 |

(February 13, 2004, CON Application, page 4)

19. The VMH Center projects the following units of service for Fiscal Year 1, 2, and 3, after the implementation of the proposal:

Table 2: Proposed Units of Service for the VMH Center

| Year | 1 | 2 | 3 |
|---|---------------|---------------|---------------|
| Number of Clinical Full Time Equivalents ("FTE") | 9.29 | 9.29 | 9.29 |
| Productivity Standard in Hours per FTE | 900 | 1,000 | 1,100 |
| Billable Hours (Number of FTEs * Productivity Standard) | 8,361 | 9,290 | 10,219 |
| Number of Visits (based on billable hours) | 18,024 | 20,019 | 22,022 |

(February 13, 2004, CON Application, page 6)

20. A number of the Clinic's staff will be transitioned over to the VMH Center after the merger. *(February 13, 2004, CON Application, page 7)*
21. The VMH Center is currently in full compliance with the Commission on Accreditation of Rehabilitation Facilities ("CARF") standards. The last survey by CARF was performed in July 2003; the accreditation extends through April 2006. CARF accredited the VMH Center's case management, community-based rehabilitation, and outpatient treatment programs. *(February 13, 2004, CON Application, Appendix B, page 1)*

22. The VMH Center is currently licensed by the Department of Public Health to provide outpatient mental health services. No additional licensure is required. *(February 13, 2004, CON Application, page 10)*
23. The existing providers in the Applicants' service area include Catholic Family Services, Parent Child Resource Center, and Rimmon Pond Counseling. *(February 13, 2004, CON Application, page 5)*
24. After the merger, the existing providers may experience an increase in volume as patients change providers. However, the increase will not negatively affect their operations. *(February 13, 2004, CON Application, page 6)*
25. The Hospital is currently subcontracted by the VMH Center to provide emergency/crisis intervention services to the VMH Center's target population. The target population is those clients with severe and prolonged mental illness, those at risk of psychiatric hospitalization, and those who are poor. For these services, the Hospital receives \$80,000 annually. *(February 13, 2004, CON Application, page 12)*
26. After implementation of the proposal, the Hospital will close its Clinic. The Hospital will continue to offer partial hospitalization programs and intensive outpatient programs for the psychiatric, dually diagnosed, and substance abuse patient as well as maintaining their inpatient psychiatric unit and Crisis Service. *(February 13, 2004, CON Application, page 13)*
27. The proposal will consolidate the services of the Clinic and the Center into one service delivery center. Once the proposal is completed, the merged entity will fall under the control of the BGHS' VMH Center. *(February 13, 2004, CON Application, page 13)*
28. The proposed services will be billed under the name of Valley Mental Health Center, Inc. *(February 13, 2004, CON Application, page 13)*
29. Referrals to the Clinic and the VMH Center come from self-referrals (30%), internal referrals (50%), and community referrals (20%). *(February 13, 2004, CON Application, page 11)*
30. The reported waiting time for an initial appointment at the Clinic is at least 2.5 weeks. The VMH Center currently has no wait time for an intake appointment. *(February 13, 2004, CON Application, page 5)*
31. The proposed Clinic hours after the merger will be 8:30 a.m. until 5:00 daily with evening appointments available upon request. *(February 13, 2004, CON Application, page 5)*
32. Patients from the Clinic will find it more convenient to access additional support services, since services offered at the Clinic will be more comprehensive than what was previously offered at the VMH Center. *(February 13, 2004, CON Application, page 7)*

33. The following table reports the travel distance from service area towns to the VMH Center's location in Ansonia:

Table 3: Travel Distances to Valley Mental Health Center

| Town | Distance in Miles | Town | Distance in Miles |
|--------------|--------------------------|-------------|--------------------------|
| Ansonia | -- | Orange | 5.3 |
| Beacon Falls | 8.5 | Oxford | 10.7 |
| Bethany | 5.5 | Seymour | 12.0 |
| Derby | 1.5 | Shelton | 7.0 |
| Monroe | 8.6 | Southbury | 15.4 |
| Naugatuck | 3.9 | Woodbridge | 5.5 |

(February 13, 2004, CON Application, page 5)

34. The Hospital's Clinic and the VMH Center are located 1.4 miles apart. *(February 13, 2004, CON Application, page 1)*
35. Patients will provide the VMH Center a signed authorization form for the release of medical records from the Hospital. *(February 13, 2004, CON Application, page 20)*

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

36. The Applicants' total capital expenditure of \$694,932 for the CON proposal includes the following capital cost components:

Table 4: Capital Expenditure for the CON Proposal

| Description | Total |
|---|-------------------|
| Building and Renovation Costs | \$ 424,296 |
| Other Construction-Related Cost | 139,500 |
| Architectural and Engineering Costs | 40,376 |
| Non-Medical Equipment (Purchase) | 35,000 |
| Contingency Costs | 31,430 |
| Site Work Costs | 20,000 |
| Inflation Adjustment | 4,330 |
| Total Capital Expenditure for the CON Proposal | \$ 694,932 |

(February 13, 2004, CON Application, page 15)

37. The space to be renovated at the VMH Center includes a reception area, a large waiting area, conference and group room, and approximately 20 clinician and administrative offices. The gross square footage of the construction and renovation is 6,543 square feet. *(February 13, 2004, CON Application, page 15)*

38. The non-medical equipment purchases will include computers, signage, desks, tables, chairs, shelving, and other office-related equipment. *(February 13, 2004, CON Application, Appendix I)*
39. Given that the Hospital is a Planetree¹ affiliate, BGHS intends to design a stress-reducing, healing environment for its patient population. *(February 13, 2004, CON Application, page 16)*
40. The total capital expenditure of \$694,932 will be financed through a grant from State Bonding and the Community Foundation of Greater New Haven of \$640,000; contributions will make up the balance. *(February 13, 2004, CON Application, page 17)*
41. The Hospital projects incremental revenue from operations, total operating expense and gain/(loss) from operations associated with the CON proposal as follows:

**Table 5: The Hospital's Incremental Financial Projections
 for FY 2004, FY 2005, and FY 2006**

| Description | FY 2004 | FY 2005 | FY 2006 |
|--|-------------------|-------------------|-------------------|
| Incremental Revenue from Operations | \$(117,760) | \$(471,038) | \$(471,038) |
| Incremental Total Operating Expense | (220,461) | (881,843) | (881,843) |
| Incremental Gain/ from Operations | \$ 102,701 | \$ 410,805 | \$ 410,805 |

(February 13, 2004, CON Application, Appendix J)

42. BGHS projects incremental revenue from operations, total operating expense and gain/(loss) from operations associated with the CON proposal as follows:

**Table 6: VMH Center's Incremental Financial Projections
 for FY 2004, FY 2005 and FY 2006**

| Description | FY 2004 | FY 2005 | FY 2006 |
|---|------------------|------------------|------------------|
| Incremental Revenue from Operations | \$ 341,430 | \$ 379,367 | \$ 417,304 |
| Incremental Total Operating Expense | 515,448 | 531,240 | 549,460 |
| Incremental Loss from Operations | \$174,018 | \$151,873 | \$132,155 |

(February 13, 2004, CON Application, Appendix J)

43. In the Memorandum of Understanding ("Agreement") between the two Applicants, as part of the consideration of the mutual promises, covenants and conditions, the parties propose to agree that, for a period not to exceed five years from the assumption of the services by BGHS, the Hospital will provide BGHS a subsidy as follows:

To the amount of any net losses from operation during the first year, computed on an annualized basis the Hospital will pay a maximum of \$123,200.

To the amount of any net losses from operation during the second through fifth year, computed on an annualized basis, the Hospital will pay in any year up to a maximum as given: Year 2 - \$94,000; Year 3 - \$66,400; Year 4 - \$113,800; and Year 5 - \$163,000.

(February 13, 2004, CON Application, Appendix F)

¹ Planetree is a nationally-recognized consumer responsive, patient-centered care and healing environment.

44. The Applicants also agree that if in any year of the period of the subsidy the services offered by BGHS shall generate a profit from operations, such profit shall be shared equally by BGHS and the Hospital. The total amount of such profits paid to the Hospital by BGHS shall not exceed the total subsidy amounts paid to BGHS by the Hospital during the term of the subsidy. *(February 13, 2004, CON Application, Appendix F)*
45. At the conclusion of the five year period, the Hospital and BGHS will meet to consider negotiation of an extension of the Agreement. *(February 13, 2004, CON Application, Appendix F)*
46. As part of the consideration of the Agreement, BGHS agrees not to engage in:
 Activities or services relating to adult psychiatric, dually diagnosed, and/or substance abuse partial hospitalization programs;
 Activities or services relating to intensive outpatient treatment relative to adult psychiatric, dually diagnosed, and/or substance abuse that is an expansion of such program(s) offered by BGHS at the time of the Agreement.
 Inpatient psychiatric and/or substance abuse treatment.
(February 13, 2004, CON Application, Appendix F)
47. VMH's and BGHS' projected payer mixes currently and during the first three years of implementation and operation of the CON proposal is as follows:

Table 6: The Applicants' Current and Projected Payer Mixes

| Description | Payer Percent (%) | |
|-----------------------------|-------------------|------------------|
| | Griffin Hospital | Birmingham Group |
| Medicare | 37.8 | 14.7 |
| Medicaid | 9.5 | 41.7 |
| Total Government | 47.3 | 56.3 |
| Commercial Insurers | 48.2 | 35.7 |
| Self-Pay | 3.0 | 8.0 |
| Workers Compensation | 1.5 | 0.0 |
| Total Non-Government | 52.7 | 43.7 |
| Uncompensated Care | 0 | 0 |
| Total Percent (%) | 100.0 | 100.0 |

(February 13, 2004, CON Application, pages 18 and 19)

48. As a community mental health center, the VMH Center is eligible for and supported by grants. It also receives a higher rate of reimbursement for services that it provides than the rate received by an acute care facility like the Hospital. *(February 13, 2004, CON Application, page 20)*

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.:

49. There is no State Health Plan in existence at this time. *(February 13, 2004, CON Application, page 2)*
50. The Applicants have adduced evidence that this proposal is consistent with the Applicants' long-range plan. *(February 13, 2004, CON Application, page 2)*
51. The Applicants currently participate in energy conservation, group purchasing, reengineering, and applications of technology. *(February 13, 2004, CON Application, page 9)*
52. This proposal will not result in changes to the Applicants' teaching and research responsibilities. *(February 13, 2004, CON Application, page 9)*
53. There are no distinguishing characteristics of the Applicants' patient/physician mix that make the proposal unique. *(February 13, 2004, CON Application, page 10)*
54. The Applicants have sufficient technical and managerial competence to provide efficient and adequate service to the public. *(February 13, 2004, CON Application, Appendix C)*
55. The Applicants' rates are sufficient to cover the proposed capital expenditure and operating costs. *(February 13, 2004, CON Application, Appendix H)*

Rationale

The Applicants, Griffin Hospital ("Hospital") and Birmingham Group Health Services ("BGHS"), propose to merge the Cochran Outpatient Psychiatric Clinic ("Clinic") into the Valley Mental Health Center ("VMH Center") and transfer the clinical and administrative control to Birmingham Group Health Services. The total capital expenditure associated with the proposal is \$694,932.

The proposal has been in development for several years. In November 2000, the Office of Health Care Access and the Office of Policy and Management awarded a \$225,000 grant to Griffin Hospital and other to support the efforts to develop a regional behavioral health partnership in the Naugatuck Valley region. The "Route 8 Highway Behavioral Health Group," a group of seven community outpatient providers and the three hospitals ("Rte. 8 Group"), investigated the possibility of developing innovative and collaborative business relationships to deliver behavioral health services. After receiving the recommendations of consultants, two of those providers, the Hospital and BGHS, decided to go forward and develop a proposal to merge their services.

The major benefit of the proposal is the financial advantages that BGHS has over the Hospital. As a community mental health center, the VMH Center is eligible for and supported by grants. It also receives a higher rate of reimbursement for services that it provides than the rate received by an acute care facility like the Hospital. Due to the low reimbursement rates from Medicare, Medicaid, and private insurance, the Hospital has been losing money as much as \$350,00 to \$400,000 operating the Clinic. With the proposal, the Hospital projects the gain from operations to be \$102,701, \$410,805, and \$410,805 for Fiscal Years 2004, 2005, and 2006, respectively. If the VMH Center is able to generate a profit from operations, the Hospital will share equally in the revenues up to the amount paid in subsidies. The VMH Center projects that it will experience losses from operations of \$174,018, \$151,873, and \$132,155 in Fiscal Years 2004, 2005, and 2006. However, the Hospital, as part of the Memorandum of Understanding, will provide subsidies to BGHS for its losses for at least five years following the merger. The Applicants will realize some economies of scales through reductions in staff, contracted workers, and administrative overhead expenses. The Applicants project that the service levels will increase by approximately 10% for each of the second and third years. OHCA finds that the CON proposal is both financially feasible and cost effective.

The proposed merger of the Clinic into the VMH Center will provide benefits to the patients as well as to the Applicants. Patients will benefit from expanded services at the VMH Center. These services include case management, psychosocial rehabilitation, and domestic violence support. Patients will not have to wait for their intake appointment as they have had to do at the Clinic. Since the distance from the Clinic's location in Derby to the VMH Center's location in Ansonia is less than two miles, patients should not experience any added inconvenience. The VMH Center will become a Planetree facility and provide the same patient-oriented caring environment as does the Hospital. The VMH Center will offer employment to staff members of the Clinic. The Hospital will continue to offer partial hospitalization programs and intensive outpatient programs for the psychiatric, dually diagnosed, and substance abuse patient as well as maintaining their inpatient psychiatric unit and Crisis Service. OHCA finds that the Applicants' proposal will maintain the quality of behavioral health services as well as access to the services to the residents of the proposed service area.

Based upon the forgoing Findings of Fact and Rationale the Certificate of Need application of Griffin Hospital and Birmingham Group Health Services proposal to merge its Cochran Outpatient Psychiatric Clinic with Birmingham Group Health Services' Valley Mental Health Center at 435 East Main Street, Ansonia, Connecticut and transfer the clinical and administrative control to Birmingham Group Health Services at a total capital cost of \$694,932 is hereby **APPROVED**.

Order

Griffin Hospital and Birmingham Group Health Services are hereby authorized to merge the Cochran Outpatient Psychiatric Clinic into the Valley Mental Health Center located at 435 East Main Street, Ansonia, Connecticut and transfer the clinical and administrative control to Birmingham Group Health Services at a total capital cost of \$694,932.subject to the following conditions:

1. This authorization shall expire on April 5, 2005, unless the Applicants present evidence to OHCA that the merged programs have commenced operation by that date.
2. The Applicants shall not exceed the approved capital cost of \$694,932. In the event that the Applicants learn of potential cost increases or expects that the final project costs will exceed those approved, the Applicants shall file with OHCA a request for approval of the revised project 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

April 5, 2004

Signed by Cristine A. Vogel
Commissioner

CAV/lkg