



## Office Of Health Care Access Certificate of Need Application

### Final Decision

**Applicant:** Greenwich Hospital

**Docket Number:** 04-30295

**Project Title:** Acquire and Install a Standby Emergency Generator

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

**Filing Date:** May 21, 2004

**Decision Date:** June 3, 2004

**Default Date:** June 7, 2004

**Staff Assigned:** Harold M. Oberg

**Project Description:** Greenwich Hospital (“Hospital”) proposes to acquire and install a standby emergency generator, at a total capital expenditure of \$1,580,000. The proposed acquisition and installation of a standby emergency generator is essential for the Hospital to continue to meet the requirements of the Connecticut Public Health Code. In the event that an extended power outage occurs, the Hospital believes that it must be in a position to maintain essential services, needed utilities, hot water, lighting and ventilation in order to continue to provide necessary patient care.

**Nature of Proceedings:** On May 17, 2004, the Office of Health Care Access (“OHCA”) determined that the Hospital’s standby emergency generator Certificate of Need (“CON”) proposal is of an emergency nature due to a power blackout last year that caused an extended electrical outage at the Hospital. As the capital expenditure associated with the standby emergency generator proposal is necessary for the Hospital to remain in compliance with health, fire, building or life safety codes, OHCA waived the letter of intent requirements regarding the CON proposal pursuant to subsection (b) of Section 19a-639 of the Connecticut General Statutes (“C.G.S.”) as amended by Public Act 03-17.

On May 21, 2004, OHCA received a completed CON application from Greenwich Hospital to acquire and install a standby emergency generator, at a total capital expenditure of \$1,580,000. The Hospital is a health care facility or institution as defined by Section 19a-630, C.G.S.

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**

#### **Proposal's Contribution to the Quality of Health Care Delivery in the Region**

1. Greenwich Hospital ("Hospital") is an acute care general hospital located at 5 Perryridge Road in Greenwich, Connecticut. The Hospital's total licensed bed capacity of 206 beds and bassinets includes 174 licensed beds and 32 licensed bassinets. *(May 21, 2004 CON Application, Attachment II)*
2. The Hospital proposes to acquire and install a standby emergency generator, at a total capital expenditure of \$1,580,000. *(May 21, 2004 CON Application, Pages 1 and 7)*
3. The proposed acquisition and installation of a standby emergency generator is essential for the Hospital to continue to meet the requirements of the Connecticut Public Health Code. In the event that an extended power outage occurs, the Hospital believes that it must be in a position to maintain essential services, needed utilities, hot water, lighting and ventilation in order to continue to provide necessary patient care. *(May 14, 2004 Letter Requesting an Emergency Exception to Letter of Intent Requirements, Page 1)*
4. As a result of the power blackout that occurred on August 18, 2003, the Hospital re-evaluated how it would need to function during an extended electrical outage. While patient care delivery was not in jeopardy at any time, the operation of the Hospital was restricted to essential operations only. It was felt that during an extended outage, the Hospital should be in a position to provide 100% of its capabilities to its patients. In order to properly address the occurrence of an extended outage, the Hospital believes it is necessary to design and implement a standby power system that would provide 100% of electrical power to its main campus in the event of a total loss of utility power. *(May 21, 2004 CON Application, Page 2)*
5. While the Hospital already has two emergency generators supplying electrical power to the critical, life safety, equipment and elevator branch circuits, the normal power supply circuits are not fed by these generators. Therefore, the Hospital is proposing to install a single 2,000 kilowatt standby emergency generator that would supply enough electrical power to run electrical circuits presently not covered by its two existing emergency generators. *(May 21, 2004 CON Application, Page 2)*
6. The standby emergency generator will be installed in the Hospital's existing Helmsley Building power plant in the generator room adjacent to two existing 1,250 kilowatt emergency generators. The standby emergency generator will be connected to the normal electrical circuits by a manual start/manual transfer switching scheme. *(May 14, 2004 Letter Requesting an Emergency Exception to Letter of Intent Requirements, Page 3)*

**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**

7. The Hospital's total capital expenditure of \$1,580,000 for the CON proposal includes \$1,017,000 for new construction and renovation and \$563,000 for the standby emergency generator. *(May 21, 2004 CON Application, Page 4)*
8. The Hospital's proposed capital expenditures for new construction and renovation are as follows: *(May 28, 2004 Supplemental CON Application Filing, Page 1)*

**Table 1: Hospital's Proposed Capital Expenditures for New Construction and Renovation**

Description	New		Total Cost
	Construction	Renovation	
Building Work Costs	\$264,000	\$410,000	\$ 674,000
Site Work Costs	0	5,000	5,000
Architectural and Engineering Costs	0	194,000	194,000
Contingency Costs	26,000	118,000	144,000
<b>Total New Construct. and Renovation Cost</b>	<b>\$290,000</b>	<b>\$727,000</b>	<b>\$1,017,000</b>

9. The CON proposal requires approximately 410 square feet of existing space to be renovated for the installation of the standby emergency generator. The Hospital anticipates that new construction and renovation will commence on August 1, 2004 and will be completed on December 14, 2004, and that the standby emergency generator will become fully operational on December 15, 2004. *(May 28, 2004 Supplemental CON Application Filing, Pages 1 and 2)*
10. The total capital expenditure of \$1,580,000 for the CON proposal will be funded entirely by an equity contribution consisting of \$1,580,000 from the Hospital's funded depreciation. *(May 21, 2004 CON Application, Page 5)*
11. The Hospital projects incremental revenue from operations, total operating expense and revenue over/(under) expense associated with the CON proposal as follows: *(May 21, 2004 CON Application, Attachment IV)*

**Table 2: Hospital's Incremental Financial Projections for FY 2004, FY 2005 and FY 2006**

Description	FY 2004	FY 2005	FY 2006
Incremental Revenue from Operations	\$0	\$ 0	\$ 0
Incremental Total Operating Expense	0	63,000	115,000
<b>Incremental Revenue over/(under) Expense</b>	<b>\$0</b>	<b>\$(63,000)</b>	<b>\$(115,000)</b>

12. The Hospital indicated that the projected incremental revenue under expense in the first two years of operation of the standby emergency generator is due to additional depreciation, fuel costs and maintenance expense. *(May 21, 2004 CON Application, Page 7)*
13. The Hospital projects total facility revenue from operations, total operating expense and revenue over expense associated with the CON proposal as follows: *(May 21, 2004 CON Application, Attachment IV)*

**Table 3: Hospital's Total Facility Financial Projections for FY 2004, FY 2005 and FY 2006**

Description	FY 2004	FY 2005	FY 2006
Revenue from Operations with CON Prop.	\$195,800,000	\$201,674,000	\$207,724,000
Total Operating Expense with CON Prop.	192,607,000	198,448,000	204,452,000
<b>Revenue over Expense with CON Prop.</b>	<b>\$ 3,193,000</b>	<b>\$ 3,226,000</b>	<b>\$ 3,272,000</b>

14. The Hospital's projected payer mix for the first three years of the standby emergency generator project is as follows: *(May 21, 2004 CON Application, Page 6)*

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

Description	Year 1	Year 2	Year 3
Medicare	29.0%	29.0%	29.0%
Medicaid	1.0%	1.0%	1.0%
TriCare (CHAMPUS)	0.0%	0.0%	0.0%
<b>Total Government</b>	<b>30.0%</b>	<b>30.0%</b>	<b>30.0%</b>
Commercial Insurers	61.0%	61.0%	61.0%
Self-Pay	7.0%	7.0%	7.0%
Workers Compensation	2.0%	2.0%	2.0%
<b>Total Non-Government</b>	<b>70.0%</b>	<b>70.0%</b>	<b>70.0%</b>
Uncompensated Care	0.0%	0.0%	0.0%
<b>Total Payer Mix</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

## 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.:

15. There is no State Health Plan in existence at this time. *(May 21, 2004 CON Application, Page 2)*
16. The Hospital has adduced evidence that the proposal is consistent with the Hospital's long-range plan. *(May 21, 2004 CON Application, Page 2)*
17. The Hospital has improved productivity and contained costs by undertaking activities involving energy conservation, group purchasing and reengineering. *(May 21, 2004 CON Application, Page 3)*
18. The proposal will not result in any change to the Hospital's teaching and research responsibilities. *(May 21, 2004 CON Application, Page 3)*
19. There are no distinguishing or unique characteristics of the Hospital's patient/physician mix related to the proposal. *(May 21, 2004 CON Application, Page 3)*
20. The Hospital has sufficient technical, financial and managerial competence and expertise to provide efficient and adequate service to the public. *(May 21, 2004 CON Application, Attachment I)*

## **Rationale**

Greenwich Hospital (“Hospital”) proposes to acquire and install a standby emergency generator, at a total capital expenditure of \$1,580,000. The proposed acquisition and installation of a standby emergency generator is essential for the Hospital to continue to meet the requirements of the Connecticut Public Health Code. In the event that an extended power outage occurs, the Hospital believes that it must be in a position to maintain essential services, needed utilities, hot water, lighting and ventilation in order to continue to provide necessary patient care.

As a result of the power blackout that occurred on August 18, 2003, the Hospital re-evaluated how it would need to function during an extended electrical outage. While patient care delivery was not in jeopardy at any time, the operation of the Hospital was restricted to essential operations only. It was felt that during an extended outage, the Hospital should be in a position to provide 100% of its capabilities to its patients. In order to properly address the occurrence of an extended outage, the Hospital believes it is necessary to design and implement a standby power system that would provide 100% of electrical power to its main campus in the event of a total loss of utility power.

While the Hospital already has two emergency generators supplying electrical power to the critical, life safety, equipment and elevator branch circuits, the normal power supply circuits are not fed by these generators. Therefore, the Hospital is proposing to install a single 2,000 kilowatt standby emergency generator that would supply enough electrical power to run electrical circuits presently not covered by its two existing emergency generators. Based on the foregoing reasons, OHCA finds that there is a clear public need for the Hospital’s CON proposal, and that the CON proposal will maintain or improve the quality of existing health care services provided in the Greenwich region.

The total capital expenditure for the CON proposal is \$1,580,000 and will be funded entirely by an equity contribution consisting of \$1,580,000 from the Hospital’s funded depreciation. The Hospital projects total facility revenue over expense of \$3,193,000, \$3,226,000 and \$3,272,000 in FY 2004, FY 2005 and FY 2006, respectively with the CON proposal. The Hospital also projects minimal incremental revenue over/(under) expense of \$0, \$(63,000) and \$(115,000) in FY 2004, FY 2005 and FY 2006, respectively due to the CON proposal. The projected incremental revenue under expense in the first two years of operation of the standby emergency generator is small relative to the overall size and scope of the Hospital’s total facility financial projections and is due to additional depreciation, fuel costs and maintenance expense. 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 Greenwich Hospital to acquire and install a standby emergency generator, at a total capital expenditure of \$1,580,000, is hereby granted.

## **Order**

Greenwich Hospital (“Hospital”) is hereby authorized to acquire and install a standby emergency generator, at a total capital expenditure of \$1,580,000, subject to the following conditions:

1. This authorization shall expire on June 30, 2005. Should the Hospital’s standby emergency generator 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 total capital expenditure of \$1,580,000. 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.

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

June 3, 2004

Signed by Cristine A. Vogel  
Commissioner

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