



## Office Of Health Care Access Certificate of Need Application

### Final Decision

**Applicant:** Connecticut Children's Medical Center

**Docket Number:** 04-30330-CON

**Project Title:** Neonatal Intensive Care Unit Expansion Project including Renovation Work and the Addition of Six Licensed Bassinets

**Statutory Reference:** Sections 19a-638 and 19a-639 of the Connecticut General Statutes

**Filing Date:** October 28, 2004

**Decision Date:** January 5, 2005

**Default Date:** January 26, 2005

**Staff Assigned:** Jack Huber

**Project Description:** Connecticut Children's Medical Center ("Hospital") proposes to expand the Hospital's Neonatal Intensive Care Unit ("NICU" or "unit") at an estimated total capital expenditure of \$2,369,650. The expansion project consists of renovating portions of the unit's existing space, located in the High Building of Hartford Hospital, to accommodate additional licensed bassinets and renovating additional leased space in the Jefferson Building of Hartford Hospital to accommodate the unit's relocated support services. The total number of neonatal intensive care bassinets will increase by 6, from 26 licensed bassinets to 32 licensed bassinets.

**Nature of Proceedings:** On October 28, 2004, the Office of Health Care Access ("OHCA") received a Certificate of Need ("CON") application from Connecticut Children's Medical Center ("Hospital") proposing an expansion project for the Hospital's Neonatal Intensive Care Unit ("NICU" or "unit") at an estimated total capital expenditure of \$2,369,650. The Hospital is a health care facility or institution as defined by Section 19a-630 of the Connecticut General Statutes ("C.G.S.").

A notice to the public regarding OHCA's receipt of the Hospital's CON application was published in the *Hartford Courant* on December 10, 2004. OHCA received no responses from the public concerning the Hospital's proposal.

OHCA's authority to review and approve, modify or deny the CON application 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 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. Connecticut Children's Medical Center ("Hospital") is a children's hospital located at 282 Washington Street in Hartford, Connecticut.  
(July 2, 2004, Letter of Intent, Pages 2 & 9)
2. The Hospital serves Connecticut residents and provides a wide range of inpatient and ambulatory services solely for infants, children and adolescents. It is the only hospital in the state dedicated solely to the care of children.  
(July 2, 2004, Letter of Intent, Page 9)
3. The Hospital operates a full-service, neonatal intensive care unit ("NICU" or "unit"). All critically ill newborn medical and surgical patients at the Hospital receive their care in the NICU. (July 2, 2004, Letter of Intent, Page 9)
4. The Hospital is proposing to expand its neonatal intensive care service by adding 6 new bassinets to the existing unit, which is located on the fifth floor of the High Building, in space leased by the Hospital from Hartford Hospital.  
(July 2, 2004, Letter of Intent, Page 9 and September 20, 2004, CON Application, Page 2)
5. The NICU currently operates with 26 licensed neonatal intensive care bassinets. The proposal will provide for a unit which consists of 32 licensed bassinets. The proposal's estimated total capital expenditure is \$2,369,650.  
(July 2, 2004, Letter of Intent, Page 9 and September 20, 2004, CON Application, Page 2)
6. The proposed improvements to the NICU will require completion of the two following project components: (July 2, 2004, Letter of Intent, Page 9)
  - Renovate 1760 square feet of existing departmental space in the High Building to create 6 additional licensed bassinets. The planned expansion includes the construction of 5 new bassinet bays in areas directly adjacent to the existing unit's bays and nursing station. The sixth bassinet bay will be a reconfiguration of an existing 3 bassinet bay to a 4 bassinet bay room.

- Renovate 2300 square feet of additional leased space in the Jefferson Building of Hartford Hospital to accommodate relocated support services space for the neonatal intensive care unit.
7. The Hospital is concurrently requesting an expansion of its licensed number of NICU bassinets by 6 bassinets. The Hospital’s current and proposed licensed beds and neonatal intensive care bassinets are as follows: *(July 2, 2004, Letter of Intent, Page 9)*

**Table 1: Current and Proposed Hospital Licensed Beds and NICU Bassinets**

Category Descriptions:	Current Licensed	Proposed Licensed	Increase
Licensed Beds	97	97	0
Licensed NICU Bassinets	26	32	6
<b>Total Licensed Beds &amp; NICU Bassinets Attributable to the NICU Project</b>	<b>123</b>	<b>129</b>	<b>6</b>

8. On November 20, 2002, Connecticut Children’s Medical Center received CON authorization, under Docket Number: 02-529, to expand its Pediatric Intensive Care Unit (“PICU”) through the relocation of the Hospital’s Pharmacy Department, the renovation of Hospital building space and the addition of six licensed beds at a total capital expenditure of \$2,850,016. *(November 20, 2002, Final Decision, Connecticut Children’s Medical Center’s Proposal to Expand its Pediatric Intensive Care Unit, Docket Number: 02-529)*
9. The six additional PICU beds, authorized in the CON authorization under Docket Number: 02-529, are not yet licensed by the Department of Public Health. The Hospital, in moving forward with the project, is seeking further required approvals of agencies governing the operation and licensure of health care facilities.
10. The historical utilization of the NICU for calendar years (“CY”) 2000 through CY 2004 is as follows: *(September 20, 2004, CON Application, Page 3)*

**Table 2: Calendar Year NICU Utilization Statistics**

Descriptions:				
Calendar Year	Patient Days	Number of Admissions	Average Daily Census	Percentage Occupancy
CY 2000-Actual	7,859	502	21	82.6
CY 2001-Actual	8,272	480	23	87.2
CY 2002-Actual	8,519	453	23	87.0
CY 2003-Actual	8,332	488	23	86.1
CY 2004-Projected /Actual	8,657	555	24	91.2

11. The Hospital offers unique programs such as craniofacial team and sophisticated pediatric surgical specialties. Increasingly, neonates requiring services of these programs are being transferred to the Hospital for care. The proposed expansion will allow the Hospital to accommodate these demands for the foreseeable future. *(July 2, 2004, Letter of Intent, Page 9)*
12. The unit’s current patient population reflects the market draw of obstetrics/newborn services at Hartford Hospital, plus the transport of selected seriously and critically ill neonates from community hospitals. *(September 20, 2004, CON Application, Page 7)*
13. Table 3 provides a breakdown of admissions to the unit from Hartford Hospital and all other area hospitals, as well as the number of transports into the unit due to unique programs provided by the Hospital and not admitted to the Hospital’s NICU due to the unavailability of NICU bassinets from calendar years (“CY”) 2000 through CY 2004: *(September 20, 2004, CON Application, Page 3)*

**Table 3: Calendar Year NICU Admissions, Transports In and No Admittance**

<b>Descriptions:</b>					
<b>Calendar Year</b>	<b>ALOS</b>	<b>% Admissions Hartford Hospital</b>	<b>% Admissions Other Hospitals</b>	<b>Transports Into CCMC NICU</b>	<b># Not Admitted Due to Unavailable Bassinet</b>
CY 2000-Actual	14.1	91.0	9.0	45	8
CY 2001-Actual	16.7	87.3	12.7	61	16
CY 2002-Actual	17.4	87.0	13.0	59	24
CY 2003-Actual	15.8	86.1	13.9	68	16
CY 2004-Proj /Act	16.7	86.1	13.9	77	21

14. The Hospital identified the number of patients that have been transferred to the other Connecticut acute care hospitals that provide NICU services, annually for the last three calendar years is as follows: *(October 28, 2004, Completeness Responses, page 8)*

**Table 4: NICU Patient Transfers from CCMC to Other CT Area Hospital NICUs**

<b>CY</b>	<b>Number of Transfers</b>	<b>Connecticut Area Hospitals</b>
2001	4	4 John Dempsey Hospital
2002	14	13 John Dempsey & 1 St. Francis Hospitals
2003	5	2 John Dempsey, 2 St. Francis & 1 New Britain General Hospitals

15. The Hospital identified the number of patients that have been transferred to acute care hospitals outside of Connecticut that provide NICU services, annually for the last three calendar years is as follows: *(October 28, 2004, Completeness Responses, page 8)*

**Table 5: NICU Patient Transfers from CCMC to Hospital NICUs Outside CT**

Year	Number of Transfers	Out of State Hospitals
2001	4	4 Bay State Medical Center
2002	0	
2003	0	

16. The actual, projected/actual and projected utilization of the NICU for fiscal year ("FY") 2003 and FY 2004, respectfully, and the projected utilization of the NICU due to the proposal for FY 2005 through FY 2007 is as follows:  
 (October 28, 2004, Completeness Responses, Pages 13 & 14)

**Table 6: Fiscal Year NICU Utilization Statistics**

Utilization Statistic:	Actual FY 2003	Proj./Actual FY 2004	Projected FY 2005	Projected FY 2006	Projected FY 2007
Admissions	481	500	534	577	599
Patient Days	8,490	8,376	9,090	9,819	10,184
Average Daily Census	23.3	22.9	24.9	26.9	27.9
Average Length of Stay	17.7	16.8	17.0	17.0	17.0

17. The projected NICU admissions and projected NICU patient days with, without and incremental to the CON proposal for FY 2005 through FY 2007 are as follows:  
 (October 28, 2004 Completeness Responses, Pages 13 & 14)

**Table 7: Projected NICU Admissions & Patient Days - FY 2005 through FY 2007**

Descriptions:	FY 2005	FY 2006	FY 2007
Projected NICU Admissions: With the CON Proposal	534	577	599
Projected NICU Admissions: Without the CON Proposal	502	502	502
<b>Projected NICU Admissions: Incremental to Proposal</b>	<b>32</b>	<b>75</b>	<b>97</b>
Projected NICU Patient Days: With the CON Proposal	9,090	9,819	10,184
Projected NICU Patient Days: Without the CON Proposal	8,541	8,541	8,541
<b>Projected NICU Patient Days: Incremental to Proposal</b>	<b>549</b>	<b>1,278</b>	<b>1,643</b>

18. The Connecticut acute care hospitals that provide neonatal intensive care services and their associated utilization statistics as provided in the hospitals' OHCA's Annual Reporting of Schedule 500 for fiscal year 2003 is presented in the following table. The table is presented in two parts, with Part 1 identifying the number of patient days, number of patients, and average length of stay and Part 2 identifying licensed and staffed beds and their associated occupancy rates.

**Table 8- Part 1: FY 2003 NICU Utilization Statistics for CT Hospitals**

<b>Descriptions:</b>	<b>Patient Days</b>	<b># Patients</b>	<b>Average Length of Stay</b>
<b>CT Hospital with NICUs</b>			
Bridgeport	4,595	331	13.88
Connecticut Children's	8,490	458	18.54
Danbury	3,554	205	17.34
Saint Raphael	642	122	5.26
John Dempsey	10,348	119	86.90
Lawrence & Memorial	2,727	173	15.76
New Britain General	2,098	207	10.14
Norwalk	2,030	166	12.23
Saint Francis	6,523	263	24.80
Stamford	3,013	204	14.77
Yale-New Haven	15,652	921	16.99

**Table 8- Part 2: FY 2003 NICU Utilization Statistics for CT Hospitals**

<b>Descriptions:</b>	<b>Licensed Beds</b>	<b>Staffed Beds</b>	<b>Licensed Percentage Occupancy</b>	<b>Staffed Percentage Occupancy</b>
<b>CT Hospital with NICUs</b>				
Bridgeport	20	15	62.9	83.9
Connecticut Children's	26	26	89.5	89.5
Danbury	15	11	64.9	88.5
Saint Raphael	8	8	22.0	22.0
John Dempsey	30	30	94.5	94.5
Lawrence & Memorial	14	10	53.4	74.7
New Britain General	8	8	71.8	71.8
Norwalk	18	6	30.9	92.7
Saint Francis	28	28	63.8	63.8
Stamford	0	16	0	51.6
Yale-New Haven	46	46	93.2	93.2

19. The project will encompass expansion of the existing NICU and relocation of the unit's associated service space. The unit is physically located in Hartford Hospital's High Building. The planned expansion (1760 square feet) includes six new bassinets in areas directly adjacent to the existing unit's bays and nursing station, displacing existing storage rooms, parent day rooms and counseling rooms. The displaced rooms will be relocated in adjacent Jefferson Building space (2300 square feet) with the two buildings linked through a common building connector.

*(September 20, 2004, CON Application, Attachment D)*

20. The NICU expansion and renovation project will be conducted in such a manner as to minimize patient disruption. *(September 20, 2004, CON Application, Attachment D)*

21. The anticipated project schedule, relating to the proposal's dates for building renovations, licensure and occupancy, is as follows:  
(September 20, 2004, CON Application, Page 8)

**Table 9: Proposal's Projected Timetable**

<b>Descriptions:</b>	<b>Date</b>
Commencement of Building Renovations	January 2, 2005
Completion of Building Renovations	April 1, 2005
Final Licensure	April 15, 2005
Final Occupancy	April 21, 2005

22. Saint Francis Hospital and Medical Center and the University of Connecticut/John Dempsey Hospital are other health care facilities that provide newborn intensive care services to patients in the Hospital's service area. All of the Hospital's neonatologists are members of the same university facility and participate in the regional transport system. (July 2, 2004, Letter of Intent, Page 9)

**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 Payers for Such Services**

23. The Hospital's expansion project has an estimated total capital expenditure of \$2,369,650. An itemization of the CON proposal's total capital expenditure by component is as follows: (September 20, 2004, CON Application, Page 7)

**Table 10: Proposed Capital Expenditure by Component**

<b>Component Descriptions:</b>	<b>Component Costs</b>
Medical Equipment (Purchase)	\$265,800
Non-Medical Equip. (Purchase)	\$48,850
Renovation Work	\$2,055,000
<b>Total Capital Expenditure</b>	<b>\$ 2,369,650</b>

24. An itemization of the proposal's \$2,055,000 renovation cost by component is as follows: (September 20, 2004, CON Application, Page 8)

**Table 11: Proposed Building Renovation by Component Cost**

<b>Component Description:</b>	<b>Component Cost</b>
Total Building Work Costs	\$1,600,000
Total Architect & Engineering Costs	\$105,000
Total Contingency Costs	\$350,000
<b>Total Renovation Cost</b>	<b>\$ 2,055,000</b>

25. The CON proposal's total capital expenditure of \$2,369,650 will be financed entirely with equity funds totaling \$2,369,650 to be obtained from operating funds and contributions. *(September 20, 2004, CON Application, Page 8)*
26. The Hospital's incremental revenue from operations, incremental operating expense, and incremental gain/(loss) from operations during the first three operating years of the proposal are as follows: *(October 28, 2004 Completeness Responses, Pages 13 and 14)*

**Table 12: Financial Projections for FY 2005, FY 2006 and FY 2007**

<b>Description: Fiscal Year</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
Incremental Revenue from Operations	\$940,421	\$2,194,316	\$2,821,263
Incremental Operating Expense	\$634,139	\$1,333,327	\$1,703,034
<b>Incremental Gain/(Loss) from Operations</b>	<b>\$306,282</b>	<b>\$860,989</b>	<b>\$1,118,229</b>

27. The Hospital's projected payer mix percentages for the first three years of the operation of the expanded NICU is as follows:  
*(September 20, 2004, CON Application, Page 10)*

**Table 13: Projected Payer Mix Percentages**

<b>Payer Source</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
Medicare	4.2	4.2	4.2
Medicaid	35.5	35.5	35.5
TriCare	0.4	0.4	0.4
<b>Total Government</b>	<b>40.1</b>	<b>40.1</b>	<b>40.1</b>
Commercial Insurers	57.3	57.3	57.3
Self-Pay	1.7	1.7	1.7
Workers Compensation	0.0	0.0	0.0
<b>Total Non-Government</b>	<b>59.0</b>	<b>59.0</b>	<b>59.0</b>
Uncompensated Care	0.9	0.9	0.9
<b>Total Payer Mix</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

28. The neonatal intensive care services will be provided by staff of the Hospital and the Connecticut Children's Medical Center Faculty Practice Plan. *(July 2, 2004, Letter of Intent, Page 10 and October 28, 2004 Completeness Responses, Page 11)*
29. The additional Hospital personnel required to properly staff the proposed service expansion over the course of service expansion implementation, fiscal years 2005 through 2007, in full time equivalents is as follows: *(July 2, 2004, Letter of Intent, Page 10 and October 28, 2004 Completeness Responses, Page 11)*



**Table 14: NICU Staffing Requirements Over Project Implementation**

<b>Descriptions:</b>			
<b>Positions</b>	<b>FY 2005 FTE's</b>	<b>FY 2006 FTE's</b>	<b>FY 2007 FTE's</b>
Registered Nurse	4.3	8.7	11
Patient Care Assistant	0.5	1	2
Health Unit Coordinator	1.1	2	2
<b>Total Project FTEs</b>	<b>5.9</b>	<b>11.8</b>	<b>15</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.:

30. There is no State Health Plan in existence at this time.  
*(September 20, 2004, CON Application, Page 2)*
31. The Hospital has adduced evidence that the proposal is consistent with the Hospital's long-range plan. *(September 20, 2004, CON Application, Page 2)*
32. The Hospital has improved productivity and contained costs through implementing group purchasing activities. *(September 20, 2004, CON Application, Page 5)*
33. The Hospital has no teaching or research responsibilities that would be significantly affected as a result of the proposal. *(September 20, 2004, CON Application, Page 5)*
34. The distinguishing or unique characteristic of the Hospital's patient/physician mix is that the Hospital is the only freestanding hospital in the state devoted solely to the care of children. *(September 20, 2004, CON Application, Page 6)*
35. The Hospital has sufficient technical, financial and managerial competence and expertise to provide efficient and adequate service to the public. *(September 20, 2004, CON Application, Attachment A and October 28, 2004, Completeness Response, Attachment with Curriculum vitae )*

## Rationale

Connecticut Children's Medical Center ("Hospital") is proposing to expand its Neonatal Intensive Care Unit ("NICU" or "unit") at a total capital expenditure of \$2,396,650 by renovating portions of the unit's existing leased space (1,760 square feet), located in the High Building of Hartford Hospital, to accommodate 6 additional licensed bassinets and by renovating additional leased space (2,300 square feet) in the Jefferson Building of Hartford Hospital to accommodate relocated and enhanced support services space for the neonatal intensive care unit.

The Hospital's NICU is physically located on the fifth floor of Hartford Hospital's High Building. The planned expansion includes the construction of 5 new bassinet bays in areas directly adjacent to the existing unit's bays and nursing station. The sixth bassinet bay will be a reconfiguration of an existing 3 bassinet bay to a 4 bassinet bay room. The renovation and expansion project is being designed to minimize the impact of the proposed 4,060 square foot building renovation on the continuing operation of the NICU.

The clear public need for the CON proposal is based upon the recent and projected increases in the Hospital's NICU utilization statistics including admissions, patient days and average daily census. The Hospital projects NICU admissions of 534, 577 and 599, respectively, for the first three years of operation (FY 2005 through FY 2007). Additionally, it is anticipated that the NICU patient days will increase to 9,090, 9,819 and 10,184 respectively, during the first three years of the expanded unit. The average daily census is expected to be 27.9 by the third year of operation and the 6 additional bassinets should assist in reducing the Hospital's current NICU capacity issue. OHCA finds that the Hospital has clearly demonstrated that the CON proposal is needed for the Hospital to continue to provide NICU patient services at a high level of quality. Furthermore, the CON proposal will increase the accessibility of NICU patient services in the state and in the region.

The total capital expenditure for the proposal is \$2,369,650. The proposed capital expenditure will be funded entirely by Hospital equity obtained through operations and contributions. The Hospital's volume projections appear reasonable and will likely be achieved. Once occupancy of the new bassinets has commenced, the Hospital is projecting incremental gains from operations of \$306,282, \$860,989 and \$1,118,229 for fiscal years 2005 through 2007, respectfully. Therefore, OHCA finds that the CON proposal will not only improve the quality and accessibility of the Hospital's NICU patient services, but that it will also be financially feasible and cost-effective.

Based on the foregoing Findings and Rationale, the Certificate of Need application of Connecticut Children's Medical Center to expand its Neonatal Intensive Care Unit through the renovation of leased building space owned by Hartford Hospital, the relocation of support services space for the neonatal intensive care unit and the addition of 6 licensed bassinets, at a total capital expenditure of \$2,369,650, is hereby GRANTED.

## Order

Connecticut Children's Medical Center ("Hospital") is hereby authorized to expand its Neonatal Intensive Care Unit ("NICU" or "unit") by renovating portions of the unit's leased space, located in the High Building of Hartford Hospital, to accommodate 6 additional licensed bassinets and by renovating additional leased space in the Jefferson Building of Hartford Hospital to accommodate the unit's relocated support services space, at a total capital expenditure of \$2,369,650, subject to the following conditions:

1. This authorization shall expire on May 5, 2006. Should the Hospital's NICU 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 total capital expenditure of \$2,369,650. In the event that the Hospital learns of potential cost increases or expects that the 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 new approved total bassinet capacity as a result of the NICU expansion request will be 32 licensed neonatal intensive care bassinets.
4. The Hospital shall obtain all further required approvals of the Department of Public Health and all other local, state, and federal agencies governing the licensure and operation of health care facilities, and the Hospital shall report to OHCA upon receiving such approvals.

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

January 5, 2005

Signed by Cristine A. Vogel  
Commissioner

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