



## Office of Health Care Access Certificate of Need Application

### Final Decision

**Applicants:** The Stamford Hospital  
Stamford Health System, Inc.

**Docket Number:** 05-30475-CON

**Project Title:** South Building Renovation Project

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

**Filing Date:** September 9, 2005

**Decision Date:** November 23, 2005

**Default Date:** December 8, 2005

**Staff Assigned:** Jack A. Huber

**Project Description:** The Stamford Hospital and Stamford Health System, Inc. are proposing to undertake an on-campus, facilities renovation project at an estimated total capital expenditure of \$6,978,896.

**Nature of Proceedings:** On September 9, 2005, the Office of Health Care Access (“OHCA”) received from The Stamford Hospital (“Hospital”) and Stamford Health System, Inc., (“SHS”), collectively termed the “Applicants”, a Certificate of Need (“CON”) application seeking authorization to undertake an on-campus, facility renovation project, at an estimated total capital expenditure of \$6,978,896. The Applicants are health care facilities or institutions as defined by Section 19a-630 of the Connecticut General Statutes (“C.G.S.”).

Pursuant to Section 19a-639, C.G.S., a notice to the public concerning OHCA’s receipt of the Applicants’ Letter of Intent was published in *The Advocate* of Stamford on April 20, 2005. OHCA received no responses from the public concerning the Applicants’ proposal.

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 Hospital'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. The Stamford Hospital ("Hospital") is an acute care hospital located at 30 Shelburne Road in Stamford, Connecticut. *(July 7, 2005, CON application, page 8)*
2. Stamford Health System, Inc. ("SHS") is the corporate parent of the Hospital. *(July 7, 2005, CON application, page 1)*
3. The Hospital and SHS, collectively identified as the "Applicants", propose to undertake a facility renovation project involving the Hospital's South Building, Warner Building and Whittingham Pavilion. *(July 7, 2005, CON application, p. 11)*
4. The Applicants' proposal expects to achieve the following project objectives: *(July 7, 2005, CON application, pages 2 and 17)*
  - Accommodate current and future demand for health care services;
  - Enhance health care services provided to the Hospital's patients;
  - Improve patient access to the health care services provided by the Hospital; and
  - Improve the Hospital's infrastructure allowing for services to be provided in a modernized facility.
5. The Hospital is not proposing the implementation of any new health care programs or services. Additionally, the Hospital is not requesting additional licensed beds beyond its current licensed capacity of 305 general hospital beds and 25 bassinets. *(July 7, 2005, CON application, pages 2 & 3)*
6. The renovation project was originally incorporated as the principle component of the first phase of SHS's Five-Year, Facility Master Plan ("FMP"). *(April 7, 2005, Letter of Intent, Cover Letter, page 1 and July 7, 2005, CON application, page 2)*
7. On February 22, 2005, the Office of Health Care Access ("OHCA") received from the Applicants their Certificate of Need ("CON") application, filed under Docket Number: 04-30377-CON, seeking authorization for implementation of a modernization and expansion project resulting from the FMP development efforts, at an estimated total capital expenditure of \$97,065,400. *(February 22, 2005, CON application regarding the SHS' and the Stamford Hospital's Implementation of the Five-Year Facility Master Plan)*
8. The Applicants have requested that OHCA consider the renovation project, filed under Docket Number: 05-30475-CON, as a separate CON proposal and that OHCA review the renovation proposal prior to OHCA's formal CON review of the remaining phases of the Applicants' FMP project. *(April 7, 2005, Letter of Intent, Cover Letter, page 1 and July 7, 2005, CON application, page 2)*

9. The renovation proposal is intended to serve residents from the communities that comprise the Hospital's primary service area ("PSA"). The Applicants indicate the Hospital's PSA encompasses the following twenty-two communities itemized by community by state: *(April 7, 2005, Letter of Intent, page 2)*
  - Connecticut communities – Stamford, Darien, New Canaan, Cos Cob, Greenwich, Old Greenwich, Riverside, Norwalk, Westport, Wilton, Southport, Bridgeport, Fairfield, Ridgefield and Weston; and
  - New York communities – Bedford, Bedford Hills, Katonah, Mt. Kisco, Port Chester, Pound Ridge, Rye and South Salem.
10. The proposal will provide for facility enhancements in each of the following service groupings: *(July 7, 2005, CON application, pages 2 through 6)*
  - Pulmonary Function Testing, Respiratory Therapy and Neurology Services;
  - Plant/Facility Engineering Department; and
  - Gastrointestinal Laboratory ("GI Lab") and Patient Preparation and Recovery ("Prep & Recovery") Areas.
11. The Hospital indicates that its South and the Warner Buildings were originally construction in 1926 and 1984, respectively. Since completion, these facilities have undergone interim improvements to accommodate growth in patient services and volume, growth in health technology and changes in health care regulation. *(July 7, 2005, CON application, page 18 and September 9, 2005, Completeness Response Letter, page 3)*
12. The Strategic Plan contains an assessment of the existing infrastructure and service line capabilities to determine how well prepared the Applicants are in meeting their program goals. The Applicants determined that there are a number of inefficiencies in the delivery of services caused by the physical limitations of the current Hospital facilities, including those limitations being addressed, in part, in this proposal. *(July 7, 2005, CON application, page 5)*
13. The need for the proposed renovation work is based on findings of the SHS's Strategic Planning Steering Committee. *(July 7, 2005, CON application, page 4)*
14. The Strategic Plan analyzed market share changes as well as population, demographic, information and other related data for the Applicants over two planning horizons; a five-year, short-term horizon to fiscal year ("FY") 2007 and a ten-year, longer-term horizon to FY 2012. *(July 7, 2005, CON application, page 4)*
15. The proposed renovations will allow for the subsequent relocation of the identified services with allowances for increasing the allocated departmental space for each service. *(July 7, 2005, CON application, page 12)*
16. The aggregate space that is currently allocated to the identified services totals 11,040 square feet ("SF"). The proposal will renovate Hospital space totaling 20,715 SF, which in the aggregate represents a 9,675 SF increase in allocated departmental area. *(July 7, 2005, CON application, Cover Letter, page 1 & application, page 11)*

17. The project will affect each of the three service groupings in the following manner:  
 (July 7, 2005, CON application, page 11 through 14)

- Pulmonary Function Testing, Respiratory Therapy & Neurology Services
  - Existing departmental square feet (“DSF”) for this clinical service grouping totals 3,300. Each service operates on the ground floor of the South Building. The services will be relocated to the basement level of the Whittingham Pavilion (“Pavilion”). The relocation will allow for an expanded space totaling 6,800 DSF;
  - Current and future volume demands will be met for each clinical service; and
  - Services will be modernized resulting in enhanced patient care.
- Plant/Facility Engineering Department
  - The Engineering Department currently occupies space totaling 5,910 DSF on the ground floor of the Warner Building. The Engineering Department will be relocated to the space vacated by the Group 1 clinical services and Information Technology Department on the ground floor of the South Building. Its relocation will allow for additional departmental space which in the aggregate will total 9,615 DSF;
  - Improved materials handling due to the new location having exterior access; and
  - Correcting current deficiencies relating to the proper allocation of sufficient shop space and the complement of offices for engineering managers.
- GI Laboratory, Preparation and Recovery Areas
  - The existing two-room GI Laboratory suite is located in the Ford Wing of the South Building. The service will be relocated to a portion of the area vacated by engineering services on the ground floor of the South Building. It will be configured as a single room suite, reflecting the incremental decreases in the service’s annual volumes. The existing service totals 1,830 DSF. The proposed space configuration will allow for an expansion of space totaling 4,300 DSF.
  - The service will be part of an area dedicated to the preparation and recovery of patients for Diagnostic Imaging, Cardiology and GI services. This service combination will maximize space and clinical resources, as well as create other synergies that will assist in creating better patient flow and logistics.

18. The Applicants indicated that the identified clinical services have experienced the following actual service volumes from FY 2001 to FY 2004: (July 7, 2005, CON application, page 5 and September 9, 2005, Completeness Response Letter, page 4)

**Table 1: Actual Service Volumes**

<b>Treatment Volumes: (I/P &amp; O/P)</b>	<b>FY 2001</b>	<b>FY 2002</b>	<b>FY 2003</b>	<b>FY 2004</b>
Pulmonary Function Tests - # Patients*	1,857	2,018	2,028	2,016
Respiratory Therapy Treatments**	129,499	132,221	122,510	108,493
Neurology Service EEGs	2,828	2,933	3,231	3,223
Neurology Service EMGs***	443	643	1,034	70
GI Procedures	4,027	3,471	1,889	1,552

\*A patient can receive more than one pulmonary function test. A patient count is more representative of volume.

\*\*Outpatient Respiratory Therapy (“RT”) treatments, the majority of which have been historically done in ED were shifted as a workload responsibility from RT to the ED beginning in FY 2002.

\*\*\*One of the physicians performing EMGs left the Hospital at the beginning of FY 2004. A new physician was recruited by the Hospital in FY 2005.

19. The Applicants projected the following annual service volumes for the identified Hospital clinical services to FY 2007, the five year planning horizon with the calculated corresponding average annual percentage change between FY 2002 and FY 2007. (July 7, 2005, CON application, page 5 and September 9, 2005, Completeness Response Letter, page 4)

**Table 2: Projected Service Volumes**

Treatment Volume: I/P & O/P	FY 2002	FY 2007	Average Annual % Change per Year FY 2002-2007
Pulmonary Function Tests - # Patients*	2,018	2,300	3.49%
Respiratory Therapy Treatments**	132,221	113,375	(3.56%)
Neurology Service EEGs	2,933	3,445	4.36%
Neurology Service EMGs	643	1,121	18.58%
GI Procedures	3,471	1,690	(12.83%)

\*A patient can receive more than one pulmonary function test. Since there is not a one to one correlation between the two, a patient count is represented for the fiscal years presented.

\*\*Outpatient Respiratory Therapy ("RT") treatments, the majority of which have been historically done in the Hospital's Emergency Department ("ED"), were shifted as a workload responsibility from RT to the ED beginning FY 2002.

**Financial Feasibility and Cost Effectiveness of the Proposal and its Impact on the Applicants' Rates and Financial Condition  
 Impact of the Proposal on the Interests of Consumers of Health Care Services and the Payers for Such Services  
 Consideration of Other Section 19a-637, C.G.S. Principles and Guidelines**

20. An itemization of the project's total capital expenditure is as follows: (July 7, 2005, CON application, page 11)

**Table 3: Capital Expenditure Itemization**

Description	Component Cost
Medical Equipment Purchases	\$685,000*
Non-Medical Equipment Purchases	578,000**
Renovation Work	4,557,000
A/E Fees, Contingency & Inflation Adj.	1,158,896
<b>Total Capital Expenditure</b>	<b>\$6,978,896</b>

\* Medical equipment purchases reflect equipment allowances for each department.

\*\* Non-medical equipment includes furniture, fixtures and other non-medical equipment.

21. An itemization of the project's total renovation cost is as follows: (July 7, 2005, CON application, page 13)

**Table 4: Renovation Cost Itemization**

Description	Component Cost
Renovation Work	\$4,557,000
Total A/E Fees	576,916
Total Contingency	467,180
Inflation Adjustment	114,800
<b>Total Renovation Cost</b>	<b>\$5,715,896</b>

22. The project schedule anticipates the renovation work to be accomplished during a period of approximately seventeen months. Each component of the project has been designed in a manner which will allow for health services to be provided in an uninterrupted fashion. *(July 7, 2005, CON application, pages 13 & 14)*
23. The Applicants propose to finance the project entirely through Hospital operating funds. *(July 7, 2005, CON application, page 15)*
24. The projected incremental revenue from operations, total operating expense and loss from operations associated with the CON proposal is contained in the following table. *(July 7, 2005, CON application, page 18 and Exhibit 3)*

**Table 5: Hospital's Financial Projections for FYs 2006 through FY 2008**

Description	FY 2006	FY 2007	FY 2008
Incremental Revenue from Operations	\$0	\$0	\$0
Incremental Total Operating Expense	(\$324,000)	(\$493,000)	(\$493,000)
<b>Incremental Loss from Operations</b>	<b>(\$324,000)</b>	<b>(\$493,000)</b>	<b>(\$493,000)</b>

25. The projected incremental losses from operations are due to associated depreciation expense that will be incurred by the Hospital in conjunction with the project. *(July 7, 2005, CON application, page 18 and Exhibit 3)*
26. The Hospital's current and projected payer mix percentages for the first three years of the completed renovation project are presented in the following table. *(July 7, 2005, CON application, pages 16 & 17)*

**Table 6: Hospital's Payer Mix Percentages**

Description	Current	Year 1	Year 2	Year 3
Medicare	29.7%	29.4%	29.9%	29.9%
Medicaid	6.9%	6.4%	6.1%	5.8%
<b>Total Government</b>	<b>36.6%</b>	<b>35.7%</b>	<b>36.0%</b>	<b>35.7%</b>
Commercial Insurers	55.3%	56.7%	56.9%	57.5%
Uninsured	8.1%	7.5%	7.1%	6.8%
<b>Total Non-Govt.</b>	<b>63.4%</b>	<b>64.3%</b>	<b>64.0%</b>	<b>64.3%</b>
<b>Total Payer Mix</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

27. There is no State Health Plan in existence at this time. *(July 7, 2005, CON application, page 8)*
28. The Hospital has improved productivity and contained costs by undertaking energy conservation measures regarding its facilities; participating in activities involving reengineering and the application of new technologies; and employing group purchasing practices in its procurement of supplies and equipment. *(July 7, 2005, CON application, page 9)*
29. The proposal will not result in any change to the Hospital's teaching and research responsibilities. *(July 7, 2005, CON application, page 9)*
30. The Hospital's current patient/physician mix is similar to that of other acute care, general hospitals in the region. The proposal will not result in any change to this mix. *(July 7, 2005, CON application, page 9)*

31. The Applicants have sufficient technical, financial and managerial competence and expertise to provide efficient and adequate service to the public. (*July 7, 2005, CON application, page 9*)
32. The proposed Hospital's rates are sufficient to cover the proposed capital expenditure and operating costs associated with the proposal. (*July 7, 2005, CON application, page 8*)

## Rationale

The Office of Health Care Access ("OHCA") approaches community and regional need for Certificate of Need ("CON") proposals on a case by case basis. CON applications do not lend themselves to general applicability due to a variety of factors, which may affect any given proposal; e.g. the characteristics of the population to be served, the nature of the existing services, the specific types of services proposed to be offered, the current utilization of services and the financial feasibility of the proposal.

The Stamford Hospital ("Hospital") is an acute care hospital located at 30 Shelburne Road in Stamford, Connecticut. Stamford Health System, Inc. ("SHS") is the corporate parent of the Hospital. The Hospital and SHS, collectively termed the "Applicants", propose to undertake a facility renovation project. The project involves renovation work to portions of the Hospital's South Building, Warner Building and the Whittingham Pavilion. The renovation proposal represents the initial phase of the Applicants' multi-phased Five-Year, Facility Master Plan ("FMP"). The remaining phases of the FMP will be reviewed by OHCA at a later date within the context of the Applicants' Certificate of Need application filed under Docket Number: 04-30377-CON.

The intent of this proposal is to provide a contemporary hospital facility that will offer improved clinical and support space functionality and workflow design for selected departments. The project has been specifically designed to accommodate the future growth in demand for Pulmonary Function Testing, Respiratory Therapy, Gastrointestinal Services and Neurology Services. In addition the proposal will enhance the quality and accessibility of the delivery of these clinical services to the population served by the Hospital.

The projected need for renovated space is based upon an examination of the Hospital's service volumes for its clinical programs and production volumes for its support services. The Applicants indicated that Pulmonary Function Testing and Neurology Services have experienced modest growth between Fiscal Years ("FYs") 2001 and 2004. The Applicants project modest growth for these services to FY 2007. Actual and projected service volumes for Respiratory Therapy have remained steady. Actual gastrointestinal procedures have been declining since FY 2001 and are expect to continue to decline through FY 2007. The proposal allows for a reduction in the number of treatment room suites from two to one, reflecting the incremental service volumes decreases experienced by the Hospital.

The aggregate space that is currently allocated to the affected services totals 11,040 square feet ("SF"). The proposal will renovate Hospital areas totaling 20,715 SF, which in the aggregate represents a 9,675 SF increase in allocated departmental space. Each component of the project has been designed in a manner which will allow for health services to be provided in a phased,

uninterrupted fashion. Pulmonary Function Testing, Respiratory Therapy & Neurology Services will be relocated from South Building to the basement level of the Whittingham Pavilion in order to increase departmental space to accommodate volume demands and achieve improved patient access. Plant/Facility Engineering Department will be relocated from the Warner Building to the space vacated by the clinical services in order to increase departmental space for service and office functions of the department as well as improve materials handling capabilities. GI Laboratory, Preparation and Recovery Areas will be relocated from the Ford Wing of the South Building to the area vacated by engineering services. It will be downsized to a single room suite, reflecting the recent annual incremental service volumes decreases. The service will be part of an area dedicated to the preparation and recovery of patients for diagnostic imaging, cardiology and GI services. This service combination will maximize space and clinical resources, as well as create other synergies that will assist in creating better patient flow and logistics.

Based on the above, OHCA finds that the Applicants have demonstrated that the renovation project is needed for the Hospital to continue to provide clinical and support services at a high level of quality. Furthermore, the proposal will contribute to improving accessibility of Hospital services to those individuals served in the region.

The total capital expenditure is estimated to be \$6,978,896. The project will be financed entirely through Hospital operating funds. While the proposal is financially feasible, the Hospital projects incremental losses from operations after the implementation of the proposal. The operating losses are attributable to the project's anticipated depreciation and amortization expenses. The anticipated improvements in the quality and accessibility of the Hospital's patient care services will allow the Hospital to provide its services in a modernized facility that will be compliant with current practice standards.

Based upon the foregoing Findings and Rationale, the Certificate of Need application of The Stamford Hospital and Stamford Health System, Inc., to undertake a facility renovation project, at a total capital expenditure of \$6,978,896, is, hereby, GRANTED.



## Order

The Stamford Hospital and Stamford Health System, Inc., collectively termed the "Applicants", are hereby authorized to undertake a facility renovation project, at a total capital expenditure of \$6,978,896, subject to the following conditions:

1. This authorization shall expire on October 1, 2008. Should the facility renovation project not be completed by that date, the Applicants must seek further approval from OHCA to complete the renovation project beyond that date.
2. The Applicants shall not exceed the approved total capital expenditure of \$6,978,896. In the event that the Applicants learn of potential cost increases or expect that the final project costs will exceed those approved, the Applicants 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

November 23, 2005

Signed by Cristine A. Vogel  
Commissioner

CAV:jah