



Office of Health Care Access Certificate of Need Application

Final Decision

Applicant: North Haven Pain Medicine Center, LLC

Docket Number: 05-30492

Project Title: Establish and Operate a Licensed Pain Management Ambulatory Surgery Center in North Haven

Statutory Reference: Sections 19a-638 and 19a-639, Connecticut General Statutes

Filing Date: October 14, 2005

Decision Date: January 4, 2006

Default Date: January 12, 2006

Staff: Sharon Malinowski

Project Description: Comprehensive Pain and Headache Treatment Centers, LLC (“CPHTC”) and Titan Health Corporation (“Titan”), d/b/a North Haven Pain Medicine Center, LLC (“NHPMC”), collectively know as the Applicants, propose to develop a licensed pain management ambulatory surgery center to be located at 52 Washington Avenue in North Haven, CT. The proposed total capital expenditure is \$2,626,827.

Nature of Proceedings: On October 14, 2005, the Office of Health Care Access (“OHCA”) received the completed Certificate of Need (“CON”) application of Comprehensive Pain and Headache Treatment Centers, LLC and Titan Health Corporation, d/b/a North Haven Pain Medicine Center, LLC seeking authorization to develop a licensed pain management center to be located at 52 Washington Avenue in North Haven, CT at a total proposed capital expenditure of \$2,626,827. The Applicants are a health care facility or institution as defined by Section 19a-630 of the Connecticut General Statutes (“C.G.S.”).

Pursuant to Sections 19a-638 and 19a-639, C.G.S., a notice to the public concerning OHCA’s receipt of the Applicants’ Letter of Intent was published in the New Haven

Register on May 4, 2005. OHCA received no responses from the public concerning the Applicants' proposal. Pursuant to Public Act 05-75, three individuals or an individual representing an entity with five or more people had until November 4, 2005, the twenty-first calendar day following the filing of the Applicants' CON Application, to request that OHCA hold a public hearing on the Applicants' proposal. OHCA received no hearing requests from the public by November 4, 2005.

OHCA's authority to review and approve, modify or deny this proposal is established by Sections 19a-638 and 19a-639, C.G.S. The provision 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 Accessibility and Quality of Health Care Delivery in the Region

1. Comprehensive Pain and Headache Treatment Centers, LLC ("CPHTC") and Titan Health Corporation ("Titan"), d/b/a North Haven Pain Medicine Center, LLC ("NHPMC") are proposing to establish and operate a licensed, freestanding, single specialty ambulatory surgery center located at 52 Washington Street, North Haven. The proposed ambulatory surgery center will provide interventional pain management services to the private practice patients of CPHTC. (*August 8, 2005, Initial CON Application, page 2*)
2. NHPMC is a for-profit limited liability company. (*August 8, 2005, Initial CON Application, page 2*)
3. CPHTC is an established physician group practice wholly owned by Mark Thimineur, M.D. that specializes in pain management. The practice currently has four offices located in Derby, New Haven, Orange and Meriden, Connecticut and employs five physicians, four of whom are interventionalists. All of the CPHTC physician employees who will utilize the proposed facility are Board Certified anesthesiologists and have completed fellowships in pain management. (*August 8, 2005, Initial CON Application, page 2*)
4. CPHTC physicians began performing pain procedures in their Orange and Meriden offices in the second quarter of 2003, as a result of increasing demand and lack of available operating room time at local hospitals. (*August 8, 2005, Initial CON Application, page 16*)
5. Titan Health Corporation is based in Sacramento, California and specializes in partnering with physicians to develop and operate pain management and spinal diagnostic ambulatory surgery centers. Titan Management Corporation, an affiliate of Titan Health Corporation, will be the management company of NHPMC. (*April 29, 2005, Letter of Intent, page 5*)
6. CPHTC proposes to enter into an operating agreement with Titan Health Corporation. (*August 8, 2005, Initial CON Application, pages 39 and 326*)

7. NHPMC will also enter into an agreement with Titan Management Corporation to operate and manage the ambulatory surgery center. This partnership will allow the CPHTC physicians to concentrate on patient management and the delivery of care while Titan Management Corporation focuses on operations and ensuring the center's ongoing viability. *(August 8, 2005, Initial CON Application, pages 24 and 39)*
8. CPHTC will own 65% of the membership interests in NHPMC, while Titan will own the remaining 35%. *(August 8, 2005, Initial CON Application, page 24)*
9. The single floor facility will consist of approximately 6,500 square feet and have one operating room (Class C) and one procedure room (Class B), a 4 station preoperative room area, a post operative area with 4 stations, three nursing stations, one examination room, and all required clinical and staff support stations. *(April 27, 2005, Initial CON Application, page 44)*
10. Surgical procedures to be performed at the ambulatory surgical center will include epidural steroid injections, blood patch, selected nerve blocks, facet joint blocks, percutaneous discectomy, lysis of epidural adhesions, radio frequency lesioning, radio frequency of sacroiliac joint, nucleoplasty, epiduroscopy, discography, intrathecal pump implant, peripheral nerve stimulator implant, spinal cord stimulator implant and vertebralplasty. Conscious sedation and general anesthesia will be provided. *(August 8, 2005, Initial CON Application, page 3)*
11. NHPMC intends to seek state licensure as an outpatient surgical facility and Medicare certification as a single specialty ASC. *(August 8, 2005, Initial CON Application, page 36).*
12. The need for the NHPMC is based on the following factors: *(August 8, 2005, Initial CON Application, page 4)*
 - (a) Continued demand for pain management services due to increased utilization and awareness of pain management interventions.
 - (b) Unmet need for pain management services in the area.
 - (c) Significant increases in volume experienced by CPHTC and limited availability of efficient, cost-effective, outpatient surgical operating room facilities for interventional pain management procedures.
 - (d) The growing and aging of the population within CPHTC's service area.
 - (e) Improved access for the patient population, as measured by travel distances, to interventional pain management services in a centralized location.
 - (f) Opportunities for expanded research in various techniques for addressing chronic pain.
 - (g) Improvements in the quality of care for patients as measured by services performed in a facility dedicated solely to pain management and geared to achieving maximum outcomes through the use of leading technology and advanced pain management procedures.

13. Since NHPMC's facility will be used exclusively by CPHTC's physicians and their existing and future patient's, NHPMC's service area is projected to be the same as CPHTC's service area. The primary and secondary service areas are as follows: Primary Service area ("PSA") – New Haven, West Haven, Milford, Meriden, East Haven, Hamden, Ansonia, Wallingford and North Haven; Secondary Service Area ("SSA") – Shelton, Branford, Seymour, Naugatuck, Middletown, Guilford, Waterbury, Derby, Cheshire, Orange, Clinton, North Branford, Southington, Bristol, Bethany, Bridgeport, Madison, Stratford and Woodbridge. *(August 8, 2005, Initial CON Application, page 9)*
14. The proposed North Haven location will be centralized within NHPMC's 28 town service area. *(August 8, 2005, Initial CON Application, page 21)*
15. According to the Applicants, there are no existing licensed, free standing, single specialty, interventional pain management ambulatory surgery centers in NHPMC's proposed service area. The closest comparable facility is the Wilton Pain Management Center located in Wilton, Connecticut. *(April 29, 2005, Letter of Intent, page 6)*
16. The procedural space available at the Orange and Meriden locations is limited to approximately 800 square feet and 500 square feet, respectively, including patient recovery areas. This space is no longer adequate to accommodate the increases in CPHTC's procedural volumes. *(August 8, 2005, Initial CON Application, pages 16 and 17)*
17. There is currently a three-week delay to schedule a pain procedure in CPHTC's practice locations in Orange and Meriden. *(August 8, 2005, Initial CON Application, page 19)*
18. CPHTC physicians have privileges at Griffin Hospital, the Hospital of Saint Raphael, and Midstate Medical Center. CPHTC's physicians will continue to have privileges at the three local hospitals for patients who prefer to be treated in these facilities. *(August 8, 2005, Initial CON Application, page 19 and 27)*
19. CPHTC patients currently wait approximately one month before an elective procedure can be scheduled at each of these institutions. *(August 8, 2005, Initial CON Application, page 19)*
20. CPHTC's procedural and case volumes which, as shown below, have risen dramatically in recent years: *(August 8, 2005, Initial CON Application, page 17)*

Year	Number of Cases	% Increase	Number of Procedures	Percentage Increase
2003	386	-	619	-
2004 ²	1,971	410.6%	2,816	354.9%
2005 ³	2,498	26.7%	3,748	33.1%

¹ Cases, as used in this CON Application, means surgical cases while procedures are defined by relevant pain management CPT codes. Accordingly, it is not uncommon for more than one procedure to be performed in a single case.

² 2004 volume includes only one quarter of the work by the fourth interventional pain physician at CHTC who was hired in September 2004.

³ The 2005 projection is based on CPHTC's physicians having performed 1,459 cases and 2,189 pain interventional procedures from 1/1/05 through 7/22/05 annualized to the end of the year. Note also that 2003 through 2005 volumes do not include non-surgical interventions (e.g. pain shots) given to patients at CPHTC offices. OHCA cannot verify any of the above.

21. NHPMC's Fiscal Year runs 1/1 through 12/31. A summary of the cases and procedure volume projected from 2005 through the first three years of this project follows:
(August 8, 2005, Initial CON Application, page 28 through 31)

Table 2: NHPM Projected Case and Procedure Volume (See Note A)						
	CPHTC FY 2005 Actual YTD 7/22/05	CPHTC FY 2005 Projected 1/1/05- 12/31/05	CPHTC FY 2006 Projected	NHPMC FY 2007 Year One	NHPMC FY 2008 Year Two	NHPMC FY 2009 Year three
# Cases	1,459	2,498	2,716	2,916	3,196	3,503
# of Procedures	2,189	3,748	4,075	4,374	4,794	5,254

Note A: Unless otherwise noted, all projections were based on the following:

- # of cases was projected using the FY 2005 actual year to date 7/22/05 data (2,189 / 1,459 = 1.5 cases).
- NHPMC will not commence operations until 1/1/07. Therefore FY 2007 is the first year with the project.
- A conservative growth rate of less than 10%, that is consistent with national trends, rather than CPHTC's historical growth rate was utilized.
- Procedures include both procedure room and operating room activity.

Note B: OHCA cannot verify any of the above data.

22. The percentage of the population in both the primary and the secondary service area towns that falls within the 65 and older cohorts is as follows:
(August 8, 2005, Initial CON Application, page 14)

Table 3: Percentage of Population by Age as of 2000			
Selected Age Cohorts	65 to 74 Years	75 to 84 years	85 Years & Over
Primary Service Area	6.7%	5.5%	2.0%
Secondary Service Area	6.9%	5.4%	1.9%
Total Service Area	6.8%	5.4%	2.0%
State of Connecticut	6.8%	5.1%	1.9%
United States	6.5%	4.4%	1.5%

Source: US Census Bureau, Census 2000.

23. In April, 2005, the U.S. Census Bureau released an Interim State Population Projection Report that projecting a nearly 25% growth in the 65-69 age cohorts by 2010 for Connecticut, when 14.4% of the state's population will be over the age of 65. *(August 8, 2005, Initial CON Application, page 14)*
24. CPHTC is currently seeking FDA approval to conduct a formal clinical trial that will study how neurostimulation can help patients with multifocal pain. *(August 8, 2005, Initial CON Application, page 23)*
25. The proposed Center in North Haven will operate Monday through Friday, 8:00 am to 5:00 pm. *(August 8, 2005, Initial CON Application, page 25)*
26. Section 19a-613 of the Connecticut General Statutes authorizes OHCA to collect patient-level outpatient data from health care facilities or institutions, as defined in Section 19a-630, C.G.S.

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

**Consideration of Other Section 19a-637, C.G.S.
 Principles and Guidelines**

27. The proposal has a total capital expenditure of \$2,626,827, which includes: *(August 8, 2005 Initial CON application and September 19, 2005, Responses to 1st Completeness Letter, page 7)*

Table 4: Total Capital Expenditure and Cost

Component	Cost
Construction/Renovation	\$1,885,120
Medical Equipment (Purchase)	\$537,914
Non-Medical Equipment (Purchase)	\$203,793
Total Capital Expenditure	\$2,626,827
Other Operating Expenses	\$773,173
Total Capital Cost	3,400,000

28. The Members of NHPMC will contribute equity as part of the financing of this project. Capital contributed as follows: CPHTC \$390,000 and Titan \$210,000. The Applicants expect to finance the remainder of the project using a \$2,800,000 seven year conventional loan from CitiCapital. *(August 8, 2005, Initial CON Application, page 49)*

29. Since NHPMC will not commence operations until January 1, 2007, NHPMC projects expenses of \$345,880 with no revenue for FY 2006 (start up phase) and revenues in excess of expenses of \$569,689, \$690,976 and \$774,333 for FYs 2007, 2008, and 2009. *(August 8, 2005, Initial CON Application, page 54)*

30. The payer mix for the first three years of the project was calculated using Net Patient Revenue and was based on CPHTC's existing payer mix as follows: *(August 8, 2005 Initial CON Application, page 53)*

Table 5: Projected Payer Mix

Payer Source	Percentage
Medicare	16%
Medicaid (includes other medical assistance)	3.1%
Total Government Payers	19.1%
Commercial Insurers*	58.2%
Worker's Compensation	22.7%
Total Payer Mix	100.00%

*Includes managed care activity

31. There is no State Health Plan in existence at this time. *(August 8, 2005 Initial CON Application, page 3)*

32. The Applicants have stated this proposal is consistent with Applicants' long-range plan. *(August 8, 2005, Initial CON Application, page 3)*
33. The Applicants stated that implementation of this proposal will enable them to undertake planned research responsibilities. *(August 8, 2005, Initial CON Application, pages 22 through 24)*
34. The distinguishing characteristic of the Applicants' patient/physician mix is that the proposal is exclusively dedicated to pain management. *(August 8, 2005, Initial CON Application, page 26)*
35. The Applicants' proposed rates are sufficient to cover the anticipated capital expenditure and operating costs associated with the proposal. *(August 8, 2005, initial CON Application, page 54)*
36. The Applicants have sufficient technical and managerial competence to provide efficient and adequate service to the public. *(August 8, 2005, initial CON Application, page 34 and Exhibit 4, page 240)*

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 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.

Comprehensive Pain and Headache Treatments Centers ("CPHTC") and Titan Health Corporation ("Titan") d/b/a North Haven Pain Management Center, LLC ("NHPMC"), collectively know as the Applicants, proposes to establish and operate a licensed, freestanding, single specialty ambulatory surgery center to provide high quality, interventional pain management services to CPHTC. CPHTC's physicians currently have physician offices in Derby, New Haven, Orange and Meriden, Connecticut and employ five physicians, four of whom are interventionalists. All of the CPHTC's physicians are Board Certified anesthesiologists and have completed fellowships in pain management. The proposed NHPMC facility located at 52 Washington Avenue in North Haven will house one operating room and one procedure room. The services to be provided at NHPMC would include the usage of conscious sedation and general anesthesia.

The Applicants based the need for NHPMC on continued demand for pain management services due to increased utilization and awareness of pain management interventions and the unmet need for pain management services in the area. The Applicants stated that CPHTC has experienced significant increases in volume with limited availability of outpatient surgical operating room facilities for interventional pain management procedures. CPHTC's physicians performed 619 procedures in 2003 (nine months), 2,816 in 2004, and 3,748 procedures in 2005 (annualized). The procedural space available at the Orange and Meriden locations is no longer adequate to accommodate the increases in CPHTC's procedural volumes.

Since NHPMC's facility will be used exclusively by CPHTC's physicians, NHPMC's service area is projected to be the same as CPHTC's service area. The proposed North Haven location will be centralized within NHPMC's 28 town service area. There are no existing licensed, free standing, single specialty, interventional pain management ambulatory surgery centers in NHPMC's proposed service area. CPHTC's physicians will continue to have privileges at the Hospital of Saint Raphael, Midstate Medical Center and Griffin Hospital for patients who prefer to be treated at these facilities. The Applicants' proposal will improve access for their existing patient population by providing services in a centralized location in addition to these hospitals. The Applicants stated that the proposal will allow for expanded research opportunities in various techniques for addressing chronic pain. The Applicants' proposal will also improve quality of care by providing services in a facility dedicated solely to pain management and utilizing advanced technology and pain management procedures.

The Applicants project the number of procedures to be performed in FY 2006, FY 2007, FY 2008 and FY 2009 to be 4,075, 4,374, 4,794 and 5,254, respectively, based on historical utilization. Approval of NHPMC will improve accessibility and quality of care to an efficient outpatient surgical facility for the CPHTC physicians and their patients. The submission of quarterly utilization reports to OHCA by the Applicants will provide OHCA with the data necessary to monitor the accessibility of care provided at the Center.

The proposal's total capital expenditure of \$2,626,827 will be financed through a loan from the principals of the Applicants and shareholder's equity. NHPMC projects expenses of \$345,880 with no revenue for FY 2006 (start up phase) and revenues in excess of expenses of \$569,689, \$690,976 and \$774,333 for FYs 2007, 2008, and 2009, respectively. Although OHCA cannot draw any conclusions, the Applicants' volume and financial projections upon which they are based appear to be reasonable and achievable.

Based on the foregoing Findings and Rationale, the Certificate of Need application of North Haven Pain Management Center, LLC to develop a licensed pain management center to be located at 52 Washington Avenue in North Haven, CT at a total proposed capital expenditure of \$2,626,827, is hereby GRANTED.

Order

North Haven Pain Management Center, LLC (“NHPMC”) are hereby authorized to establish and operate a licensed pain management center to be located at 52 Washington Avenue in North Haven, CT at a total proposed capital expenditure of \$2,626,827, subject to the following conditions:

1. This authorization shall expire December 31, 2007. Should the Applicants project not be completed by that date, the Applicants must seek further approval from OHCA to complete the project beyond that date.
2. The Applicants shall not exceed the approved capital expenditure of \$2,626,827. In the event that the Applicants learns 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.
3. The Applicants shall operate a single specialty ambulatory surgery center, to provide interventional pain management services. The single specialty ambulatory surgery center shall consist of one operating room and one procedure room. In the event that the Applicants intend to add an additional operating or procedure room or add specialty surgery services, the Applicants shall file with OHCA a CON determination to provide such services.
4. The facility operated by NHPNC shall be exclusively used by CPHTC’s physicians and their patients.
5. CPHTC will own 65% of the membership interests in NHPMC, while Titan will own the remaining 35%. In the event that CPHTC proposes to reduce its membership interest in NHPMC to less than 50%, HNPMC and CPHTC shall seek OHCA approval.
6. The Applicants will provide OHCA with utilization reports on a quarterly basis. The data elements and the format and submission requirements are described in Attachment 1.

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 4, 2006

Signed by Cristine A. Vogel
Commissioner

CAV/sm