



Office of Health Care Access Certificate of Need Application

Final Decision

Hospital: New Britain General Hospital

Docket Number: 05-30561-CON

Project Title: New Britain General Hospital Sleep Laboratory
Expansion in Bristol

Statutory Reference: Section 19a-638, Connecticut General Statutes

Filing Date: January 6, 2006

Decision Date: April 4, 2006

Default Date: April 6, 2006

Staff: Paolo Fiducia

Project Description: New Britain General Hospital (“Hospital”) proposes to establish a sleep laboratory at 420 North Main Street in Bristol, Connecticut, at an estimated total capital cost of \$564,237.

Nature of Proceedings: On January 6, 2006, the Office of Health Care Access (“OHCA”) received the Certificate of Need (“CON”) application of the New Briatain General Hospital seeking authorization to establish a sleep laboratory at 420 North Main Street in Bristol, Connecticut, at an estimated total capital cost of \$564,237. The Hospital is a health care facility or institution as defined by Section 19a-630 of the Connecticut General Statutes (“C.G.S.”).

Pursuant to Section 19a-638, C.G.S., a notice to the public concerning OHCA’s receipt of the Hospital’s Letter of Intent was published in the *The Herald*, New Britain and the *The Bristol Press*, Bristol on August 22, 2005. OHCA received no responses from the public concerning the Hospital’s proposal. Pursuant to Public Act 05-75, three individuals or an individual representing an entity with five or more people had until January 27, 2006, the twenty-first calendar day following the filing of the Hospital’s CON Application, to request that OHCA

hold a public hearing on the Hospital's proposal. OHCA received no hearing requests from the public by January 27, 2006.

OHCA's authority to review, 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 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. New Britain General Hospital ("Hospital or NBGH") is an acute care hospital located at 100 Grand Street, New Britain, Connecticut. *(July 29, 2005, Certificate of Need Determination Form, page 2)*
2. Currently the Hospital operates a Sleep Disorders Center seven nights a week performing overnight testing (diagnosis of sleep apnea, narcolepsy, restless leg syndrome and periodic limb movement disorder, parasomnia and insomnia) and five days a week, Monday through Friday during which time data analysis, sleep clinic visits, and day time sleep studies are conducted. *(November 16, 2005, Initial Certificate of Need Application Submission, page 3)*
3. The Hospital proposes to establish a sleep laboratory ("lab") at 420 North Main Street in Bristol, Connecticut that will become a satellite of the hospital. *(July 29, 2005, Certificate of Need Determination Form, page 2)*
4. The Hospital's service area consists of the following towns: Berlin, New Britain, Plainville and Southington in the primary service area and Bristol¹, Burlington, Cheshire, Cromwell, Farmington, Meriden, Newington and West Hartford in the secondary service area. *(November 16, 2005, Initial Certificate of Need Application Submission, page 2)*
5. The Hospital states that the new proposed sleep lab in Bristol will provide service for the 439,000 residents within its service area. Nearly 75% of the Hospital's visits originate from the primary service area. *(November 16, 2005, Initial Certificate of Need Application Submission, page 2)*

¹ The town of Bristol is not included in the primary market because 11.2% of its patient discharges in 2004 went to NBGH.

6. The Hospital’s sleep lab in New Britain has about 20% of its patients come from the town of Bristol. The following table shows patient origin for the NBGH Sleep Lab for FY2003 – FY 2005. *(December 30, 2005, Supplemental Material Submitted, page 12)*

Table 1: Patient Origin NBGH Sleep Lab FY 2003- FY 2005

Town	FY 2003	% of Visits	FY 2004	% of Visits	FY 2005	% of Visits
New Britain	321	19.8%	376	22.3%	457	23.6%
Bristol	259	16.0%	311	18.4%	364	18.8%
Southington	135	8.3%	121	7.2%	144	7.4%
Berlin	59	3.6%	102	6.0%	124	6.4%
Newington	99	6.1%	115	6.8%	116	6.0%
Plainville	94	5.8%	103	6.1%	112	5.8%
Middletown	76	4.7%	50	3.0%	60	3.1%
Other	578	35.7%	511	30.2%	1,377	28.9%
Grand total	1,621	100%	1,689	100%	1,935	100%

7. The proposed sleep lab in Bristol will operate 3 nights a week for overnight diagnostic testing (diagnosis of sleep apnea, narcolepsy, restless leg syndrome and periodic limb movement disorder, parasomnia and insomnia) and two half days a week for clinic visits and day time sleep studies as needed. *(November 16, 2005, Initial Certificate of Need Application Submission, page 3)*
8. The Hospital based the need for the satellite sleep lab in Bristol on the following:
- Capacity & space constraints.
 - Scheduling delays/backlog at NBGH sleep lab, and
 - Improved access to care.
- (November 16, 2005, Initial Certificate of Need Application Submission, page 3)*
9. The Hospital states that Bristol was chosen as the new site for the proposed sleep lab service for the following reasons:
- The Hospital’s sleep center in New Britain is experiencing a four to seven week backlog and access to care is delayed,
 - Expansion of the Hospital’s Sleep Disorders Center is not feasible due to lack of space,
 - The second largest number of referrals to the Hospital’s sleep center comes from the town of Bristol,
 - Improves access to care to the Bristol community by alleviating the backlog in the Hospital’s sleep center, and
 - The Bristol medical staff currently refers patients to the Hospital’s Sleep Disorders Center.

(December 30, 2005, Supplemental Material Submitted, page 3)

10. The Hospital states that from July 2005 through September 2005 out of 509 scheduled visits, 110 patients were referred to the New Britain Sleep Lab by Bristol Hospital physicians. This indicates that about 22% of the referrals originate from a Bristol Hospital affiliated physician. Over half of these patients are from the town of Bristol. The majority of the remaining patients originate from Plymouth. *(April 3, 2006, Supplemental Material Submitted, page 2)*
11. The Hospital states that Bristol physicians refer their study cases to the New Britain General Hospital Sleep Center. This is in part due to the relationship between the two Hospitals and Neurologic Associates, P.C. *(April 3, 2006, Supplemental Material Submitted, page 2)*
12. The proposed Bristol site will primarily serve patients that are referred by Bristol's and NBGH medical staff. The remaining patients are expected to come from New Britain General Hospital's service area. Wolcott is not considered part of the twelve town service area. *(April 3, 2006, Supplemental Material Submitted, page 2)*
13. The following table shows the number of sleep studies at NBGH for the past 3 years:

Table 2: Number of sleep studies at NBGH for the past 3 years*

Sleep Studies	2003	2004	2005
Total Sleep Studies	1,455	1,609	1,818
Occupancy Rate	81%	89%	86%
Growth Rate	15.9%	10.6%	13.0%
Nights per Week	6	7	7
Total Number of Beds	6	6	6

*The current sleep lab is designed to handle a maximum capacity of 2,112 visits per year. *(January 6, 2006, Supplemental Material Submitted, page 4)*

14. The following table shows the projected number of sleep studies at NBGH for the next 3 years:

Table 3: Projected number of sleep studies at NBGH for the next 3 years**

Sleep Studies	2006	2007	2008
Total Sleep Studies	2,045	2,320	2,606
Occupancy Rate	97%	110%	123%
Growth Rate	12.5%	13.4%	12.3%
Nights per Week	6	7	7
Total Number of Beds	6	6	6

* The calculation of the projected volume for the 3 years of operation was constructed through the use of a proprietary forecasting software application which bases future volume on historical data

² The proposed sleep lab service is scheduled to commence on April 1, 2006. Year 1 includes the six month period from April 1, 2006 to September 30, 2006. Year 2 includes the twelve month period from October 1, 2006 to September 30, 2007. Year 3 includes the twelve month period from October 1, 2007 to September 30, 2008.

adjusted for seasonality. The software predicts volume by calculating the trend exhibited over the last six years on a per year basis. It then multiplies this calculated trend by a seasonality factor, the average demand per period. OHCA can not verify these projections.
(January 6, 2006, Supplemental Material Submitted, page 4)

15. The Hospital stated that staffing for year 1 will be 1.2 Technician Full Time Equivalent (“FTE”) and 0.15 Administrative Support FTE. For year 2, staffing will increase to 2.4 Technician FTEs and 0.3 Administrative Support FTE. For year 3, staffing will reach 3.2 Technician FTEs and 0.5 Administrative Support FTE.
(December 30, 2005, Supplemental Material Submitted, page 5)

16. The projected utilization statistics for the proposed site in Bristol for the next 3 years are listed below: *(November 16, 2005, Initial Certificate of Need Application Submission, page 4)*

Table 4: Projected number of visits for the sleep laboratory at Bristol for the next 3 years

Service	Year 1	Year 2	Year 3
Sleep Laboratory (visits)	294	588	784
Nights per Week	3	3	3
Total Number of Beds	4	4	4

- Year 1 is calculated at 3 diagnostic sleep studies x3 nights per week x 25 weeks = 225 studies per year and 1 titration study x 3 nights per week x 25 weeks = 75 titration studies per year for a total of 300 units of service for year one. A 2% cancellation rate is then applied bringing the total to 294.
- Year 2 is calculated at 3 diagnostic sleep studies x3 nights per week x 50 weeks = 450 studies per year and 1 titration study x 3 nights per week x 50 weeks = 150 titration studies per year for a total of 600 units of service for year two. A 2% cancellation rate is then applied bringing the total to 588.
- Year 3 is calculated at 3 diagnostic sleep studies x1 night per week x 50 weeks = 150 studies per year plus 3 diagnostic sleep studies x 3 nights per week x 50 weeks = 450 studies for a total of 600 diagnostic studies and 2 titration study x 2 nights per week x 50 weeks = 200 titration studies per year for a total of 800 units of service for year three. A 2% cancellation rate is then applied bringing the total to 784. OHCA can not verify these projections.

17. The following table shows the existing sleep lab providers in the proposed service area:

Table 5: Existing sleep lab facilities in the proposed service area

Description of Service	Provider Name and Location	Number of Beds
Sleep Laboratory	UConn Health Center, Farmington	2 Beds
Sleep Laboratory	MidState Medical Center, Meriden	2 Beds

(November 16, 2005, Initial Certificate of Need Application Submission, page 4)

18. On February 27, 2006, OHCA approved Saint Mary's Hospital to establish the Wolcott Health and Wellness Center at 533 Wolcott Road in Wolcott for the provision of physical therapy and sleep testing services. (*Docket Number 05-30571, Agreed Settlement*)
19. The Hospital states that NBGH will manage and provide all the services needed to operate the sleep lab in Bristol, which will include but not be limited to billing, staffing, equipment and clinical resources. (*July 29, 2005, Certificate of Need Determination Form, page 2*)
20. The Hospital states that NBGH and Bristol Hospital will share the neurology group who will oversee the clinical aspects of the program. (*July 29, 2005, Certificate of Need Determination Form, page 2*)
21. The Hospital states that Neurologic Associates is the neurology group which practices at NBGH and at Bristol Hospital. It will be the same group, which uses the New Britain General Sleep Lab, operating at the Bristol location. The contract includes the following:
 - Hospital will be responsible for billing for all services provided by Associates at Hospital. Associates will provide to Hospital all information necessary for Hospital to render a complete bill for services.
 - Associates shall be reimbursed by Hospital according to the fee schedule. (*April 3, 2006, Supplemental Material Submitted, page 2*)
22. The Hospital states that the Sleep Disorders Center in Bristol and New Britain adhere to the practice parameters defined by the American Academy of Sleep Medicine (AASM). Compliance with the practice parameters is validated through the AASM accreditation process and revalidated on an on-going basis through the AASM re-accreditation process. (*November 16, 2005, Initial Certificate of Need Application Submission, page 7*)

**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**

23. The proposal includes the following cost components:

Table 6: Total Proposed Capital Expenditure

Component	Cost
Medical Equipment (Purchase)	\$107,500
Non-Medical Equipment	\$21,000
Construction/Renovation	\$435,737
Total Capital Expenditure	\$564,237

(November 16, 2005, Initial Certificate of Need Application Submission, pages 13)

24. The proposed capital expenditure of \$564,237 for the CON proposal will be financed entirely through Hospital operating funds. *(November 16, 2005, Initial Certificate of Need Application Submission, pages 14)*
25. The proposed project schedule is as follows:

Table 7: Proposed Project Schedule

Description	Date
Construction Commencement Date	30 days after CON approval
Construction Completion Date	Estimated to be 120 days thereafter
DPH Licensure Date	N/A
Commencement of Operations Date	Estimated to be 1 week after the construction completion date

(November 16, 2005, Initial Certificate of Need Application Submission, page 14)

26. The proposal consists of renovating an existing building at 420 North Main Street in Bristol. The physical space totals 3,169 square feet in which all of it is slated for renovation. *(November 16, 2005, Initial Certificate of Need Application Submission, page 14)*
27. The Hospital projects incremental gains from operations related to the proposal of \$121,253 for FY 2006, \$279,938 for FY 2007 and \$426,248 for FY 2008. *(December 30, 2005, Supplemental Material Submitted, page 86)*
28. The Hospital's projected payer mix during the first three years of operation with the proposal is as follows:

Table 8: Three-Year Projected Payer Mix with the CON Proposal

Payer Mix	Current Payer Mix	Year 1	Year 2	Year 3
Medicare	41.27%	41.27%	41.27%	41.27%
Medicaid	19.96%	19.96%	19.96%	19.96%
TriCare (CHAMPUS)	0.07%	0.07%	0.07%	0.07%
Total Government	61.31%	61.31%	61.31%	61.31%
Commercial Insurers	36.39%	36.39%	36.39%	36.39%
Self Pay	1.47%	1.47%	1.47%	1.47%
Workers Compensation	0.33%	0.33%	0.33%	0.33%
Total Non-Government	38.19%	38.19%	38.19%	38.19%
Uncompensated Care	0.50%	0.50%	0.50%	0.50%
Total Payer Mix	100.00%	100.00%	100.00%	100.00%

(April 3, 2006, Supplemental Material Submitted, pages 2)

29. There is no State Health Plan in existence at this time. *(November 16, 2005, Initial Certificate of Need Application Submission, page 2)*
30. The Hospital has adduced evidence that this proposal is consistent with the Hospital's long-range plan. *(November 16, 2005, Initial Certificate of Need Application Submission, page 2)*

31. The Hospital has improved productivity and contained costs through group purchasing, energy conservation, reengineering and application of technology. *(November 16, 2005, Initial Certificate of Need Application Submission, page 9)*
32. This proposal will not result in changes to the Hospital's teaching and research responsibilities. *(November 16, 2005, Initial Certificate of Need Application Submission, page 11)*
33. The Hospital states that the current patient/physician mix will not change. *(November 16, 2005, Initial Certificate of Need Application Submission, page 11)*
34. The Hospital has sufficient technical and managerial competence to provide efficient and adequate service to the public. *(November 16, 2005, Initial Certificate of Need Application Submission, page 8)*
35. The Hospital's rates are sufficient to cover the proposed capital expenditure and operating costs associated with the proposal. *(November 16, 2005, Initial Certificate of Need Application Submission, page 158)*

Rationale

The Office of Health Care Access (“OHCA”) approaches community and regional need for the proposed service on a case by case basis. Certificate of Need (“CON”) applications do not lend themselves to general applicability due to a variety of complexity 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 proposed services.

New Britain General Hospital (“Hospital or NBGH”) currently operates a 6 bed Sleep Disorders Center at the Hospital. It currently operates 7 nights a week at 86% capacity. The Hospital proposes to establish a sleep laboratory at 420 North Main Street in Bristol, Connecticut, to alleviate capacity constraints at the Hospital’s current sleep lab. The new sleep lab will provide service for the 439,000 residents within its service area. Nearly 75% of the Hospital’s visits originate from the primary service area. The current sleep lab has about 25% of its patients come from the town of Bristol. The actual patient origin from Bristol using the NBGH sleep lab was 259 or 16.8% in FY 2003, 311 or 18.4% in FY 2004 and 364 or 18.8% in FY 2005. The proposed sleep lab in Bristol will operate 4 beds 3 nights a week for overnight diagnostic testing (diagnosis of sleep apnea, narcolepsy, restless leg syndrome and periodic limb movement disorder, parasomnia and insomnia) and two halve days a week for clinic visits and day time sleep studies as needed. The Hospital based the need for the satellite sleep lab in Bristol on the following: capacity and space constraints, scheduling delays/backlogs at the NBGH sleep lab, and improved access to care for the Bristol community.

The Hospital states that Neurologic Associates is the neurology group which practices at NBGH and at Bristol Hospital. It will be the same group, which uses the New Britain General Sleep Lab, operating at the Bristol location. Bristol physicians refer their study cases to the New Britain General Hospital Sleep Center. This is in part due to the relationship between the two Hospitals and Neurologic Associates, P.C. The proposed Bristol site will primarily serve patients that are referred by Bristol’s medical staff to the NBGH site. The remaining patients are expected to come from New Britain General Hospital’s service area.

The Hospital stated that the current sleep laboratory is designed to handle a maximum capacity of 2,112 visits per year. The actual number of sleep studies at New Britain General Hospital was 1,455 in FY 2003, 1,609 in FY 2004 and 1,818 in FY 2005. According to Hospital’s projections, the sleep lab in New Britain will not be able to service the additional volume by fiscal year 2007.³ Based on the foregoing reasons, OHCA finds that the CON proposal will improve both the quality and accessibility of the proposed services to the residents of the proposed service area.

³ The generally accepted standard among sleep professionals is to operate a sleep laboratory at 70% occupancy which maintains capacity for emergency appointments and enables the facility to accommodate staffing fluctuations and minimize overtime.

The total capital cost for the CON proposal is \$564,237. The project will be financed entirely through Hospital operating funds. The Hospital projects an incremental gain from operations related to the proposal of \$121,253 for FY 2006, \$279,938 for FY 2007 and \$426,248 for FY 2008. Although OHCA cannot draw any conclusions, the Hospital's volume and financial projections upon which they are based appear to be reasonable and achievable. Therefore, OHCA finds that the CON proposal is both financially feasible and cost effective.

Based on the foregoing Findings and Rationale, the Certificate of Need application of New Britain General Hospital to establish a sleep laboratory at 420 North Main Street in Bristol, Connecticut, at a total capital expenditure of \$564,237, is hereby GRANTED.

Order

New Britain General Hospital is hereby authorized to establish a sleep laboratory in Bristol, Connecticut, at a total capital expenditure of \$564,237, subject to the following conditions:

1. This authorization shall expire on April 4, 2008, unless NBGH presents evidence to OHCA that the proposal has been completed by that date.
2. If the Hospital proposes to change the ownership, services offered or location of the Bristol Sleep Lab, a CON Determination shall be filed with OHCA.
3. If the Hospital proposes to increase the number of sleep lab rooms over the 4 that are authorized at the Bristol Sleep Lab, a CON Determination shall be filed with OHCA.
4. The Hospital shall provide to OHCA a listing of the number of patients utilizing the sleep lab services by patient zip code and payor source on a yearly basis for two (2) years. The first reporting period is to be reported on January 31, 2007, for 2006. The second reporting period is to be reported on January 31, 2008, for 2007. Patient name, medical record number or other identifiers are to be omitted.
6. NBGH shall not exceed the approved capital expenditure of \$564,237. In the event that NBGH learns of potential cost increases or expect that the final project costs will exceed those approved, NBGH shall file with OHCA a request for approval of the revised 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 4, 2006

Signed by Cristine A. Vogel
Commissioner

CAV:pf