



## Office of Health Care Access Certificate of Need Application

### Final Decision

**Applicant:** John Dempsey Hospital

**Docket Number:** 05-30572-CON

**Project Title:** ICU Bed Expansion Project

**Statutory Reference:** Sections 19a-638 and 19a-639 of the C.G.S.

**Filing Date:** March 16, 2006

**Hearing Date:** June 8, 2006

**Presiding Officer:** Commissioner Cristine A. Vogel

**Decision Date:** June 12, 2006

**Default Date:** June 14, 2006

**Staff Assigned:** Jack A. Huber

**Project Description:** John Dempsey Hospital proposes to increase the licensed bed capacity of its intensive care unit, at an estimated total capital expenditure of \$3,261,400.

**Nature of Proceedings:** On March 16, 2006, the Office of Health Care Access (“OHCA”) received a Certificate of Need (“CON”) application from John Dempsey Hospital (“Hospital”), seeking to increase the licensed bed capacity of its intensive care unit by 7 beds, from 15 to 22 licensed beds, at an estimated total capital expenditure of \$3,261,400. 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 Sections 19a-638 and 19a-639, C.G.S., a notice to the public concerning OHCA’s receipt of the Hospital’s Letter of Intent was published in the *Hartford Courant* on September 5, 2005. A public hearing regarding the CON application was held on June 8, 2006, pursuant to Sections 19a-638 and 19a-639, C.G.S. On May 23, 2006, the Hospital

was notified of the date, time and place of the hearing. On May 25, 2006, a notice to the public was published in the *Hartford Courant*. Commissioner Cristine A. Vogel served as presiding officer in this matter. The public hearing was conducted as a contested case in accordance with the provisions of the Uniform Administrative Procedure Act (Chapter 54 of the Connecticut General Statutes) and Sections 19a-638 and 19a-639, C.G.S.

The Presiding Officer heard testimony from witnesses for the Hospital. In rendering this decision, the Presiding Officer considered the entire record of the proceeding. 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 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. John Dempsey Hospital ("Hospital") is an acute care hospital located at 263 Farmington Avenue in Farmington, Connecticut. (*January 12, 2006, Initial Certificate of Need ("CON") submission, page 2*)
2. The Hospital is a part of the University of Connecticut ("UConn") Health Center. The Hospital has established and maintains a venue for the clinical pursuits of the UConn School of Medicine, as well as a delivery system for the training of medical students/residents and the pursuit of clinical trials. (*January 12, 2006, Initial CON submission, page 2*)
3. The Hospital operates a closed, multidisciplinary intensive care unit ("ICU" or "unit"). The unit serves all disciplines of adult medicine including medical/surgical services, neurosurgery, cardiology, cardiothoracic surgery and open heart surgery. (*January 12, 2006, Initial CON submission, page 2*)
4. The Hospital is proposing to increase the number of its ICU beds by 7 licensed beds, from 15 to 22 licensed beds. The bed expansion will take place on the Hospital's second floor within space adjacent to the existing ICU. (*January 12, 2006, Initial CON submission, page 2*)
5. An itemization of the Hospital's current and proposed licensed bed configuration by service is presented in the following table: (*January 12, 2006, Initial CON submission, page 2 and Exhibit 1, page 43*)

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

General Medical/Surgical	Current	Proposed	Variance
Medical	29	29	0
Surgical	28	28	0
Intensive Care Unit	15	22	7
Cardiac	14	14	0
Oncology	22	22	0
<b>Specialty Services</b>			
Maternity	20	20	0
NICU/Newborn	50	50	0
Psychiatric	34	34	0
CMHC	12	12	0
<b>Total Licensed Bed Count</b>	<b>224</b>	<b>231</b>	<b>7</b>

6. The ICU is currently arranged in a 5 private and 5 semi-private room configuration. The proposed expansion will provide 7 additional licensed beds in 7 private rooms with the existing 5 private and 5 semi-private patient room configuration remaining unchanged. Upon completion of the project, unit services will be offered in 17 patient rooms: 12 private and 5 semi-private rooms. *(March 16, 2006, Completeness responses, page 22)*
7. The Hospital states its primary service area encompasses the following twelve municipalities: Avon, Bloomfield, Burlington, Canton, Farmington, East Hartford, Granby, Hartford, New Britain, Newington, Simsbury, and West Hartford. *(January 12, 2006, Initial CON submission, page 3)*
8. The Hospital indicates that its secondary service area encompasses the following twenty-one municipalities: Barkhamsted, Berlin, Bristol, Cromwell, East Granby, East Windsor, Glastonbury, Hartland, Harwinton, Litchfield, Manchester, New Hartford, Plainville, Plymouth, Rocky Hill, South Windsor, Southington, Torrington, Wethersfield, Winchester and Windsor. *(January 12, 2006, Initial CON submission, page 3)*
9. The Hospital reported that its actual ICU utilization statistics for the last four fiscal years ("FYs"), 2002 through 2005, are as follows: *(January 12, 2006, Initial CON submission, pages 3 through 6 and March 16, 2006, Completeness responses, page 7 )*

**Table 2: Actual ICU Utilization Statistics\***

Fiscal Year	Ave. Length of Stay ("ALOS")	Number of Discharges	Patient Days	Average Midnight Census	Percentage Occupancy
2002	3.44	703	2,418	7	46.7%
2003	4.09	761	3,111	9	60.0%
2004	3.40	851	2,893	8	53.3%
2005	3.31	963	3,183	8	53.3%

Note: \* Hospital data collected on the basis of the CT State fiscal cycle, beginning July 1st and concluding June 30<sup>th</sup> of each calendar year.

10. The Hospital's annual and average monthly ICU percentage occupancies for the period covering July 2004 to December 2005, as follows: (March 16, 2006, Completeness responses, pages 1 and 7)

**Table 3: Actual Monthly ICU Occupancy by Fiscal Year**

Month	FY 2004	FY 2005	FY 2006
July	49.0%	55.9%	44.3%
August	41.3%	44.5%	51.8%
September	50.7%	39.3%	50.9%
October	48.0%	48.2%	55.3%
November	58.7%	50.2%	59.3%
December	55.3%	64.1%	61.1%
January	60.6%	71.6%	
February	59.5%	65.5%	
March	55.7%	58.9%	
April	55.8%	71.6%	
May	55.1%	54.8%	
June	43.1%	44.9%	
<b>Annual Average Occupancy</b>	53.3%	53.3%	53.8%**

Notes: \* Hospital data collected on the basis of the CT State fiscal cycle, beginning July 1st and concluding June 30<sup>th</sup> of each calendar year.

\*\*The percentage occupancy has been annualized based on 6 months of actual data.

11. The Hospital maintains that its ICU's annual and average monthly occupancy rates, based on midnight census, do not adequately describe the difficulties encountered by the Hospital regarding its unit's occupancy issue. The Hospital's ICU occupancy analysis resulted in the following findings: (January 12, 2006, Initial CON submission, Charts 2 through 8, pages 6 through 14 and March 16, 2006, Completeness responses, pages 1 through 7)

- The winter months exhibit higher seasonal occupancy rates than the remaining months of the year;
- Weekly occupancy rates are higher on Wednesday and Fridays; and
- Daily occupancy is higher between the hours of 6:00 a.m. and 1:00 p.m. when patients are coming from surgery.

12. The Hospital's ICU utilization projections are presented in the following table for FYs 2006 through 2010. The projections cannot be verified by OHCA. (January 12, 2006, Initial CON submission, page 24 and March 16, 2006, Completeness responses, pages 12 and 13)

**Table 4: Projected ICU Utilization Statistics\***

FY	ALOS	Discharges	Patient Days	Discharge Variance Between FYs		Patient Day Variance Between FYs	
				#	% Change**	#	% Change**
2005	3.10	963	3,183				
2006	3.10	1,030	3,406	67	7.0%	223	7.0%
2007	3.10	1,103	3,644	73	7.0%	238	7.0%
2008	3.10	1,180	3,899	77	7.0%	255	7.0%
2009	3.10	1,262	4,172	82	7.0%	273	7.0%
2010	3.10	1,351	4,464	89	7.0%	292	7.0%
2011	3.10	1,445	4,777	94	7.0%	313	7.0%

Notes: \*The Hospital identified the following factors affecting increased future demand for ICU services: an aging and growing service area population and an increase in "Signature program" cases.

\*\*The Hospital's growth rate projections are based on the Hospital's historical ICU utilization.

13. The expansion project involves the renovation of approximately 9,300 square feet (“SF”) of existing space. The project will be accomplished in three (3) phases, described as follows: *(January 12, 2006, Initial CON submission, page 37)*

- Phase 1 – Renovate 2,100 SF of existing Hospital space to accommodate the relocations of electroconvulsive therapy, pulmonary/respiratory therapy and inpatient dialysis services. The relocations are necessary to accommodate the ICU bed expansion.
- Phase 2 - Renovate 6,000 SF of existing space that will allow for the seven (7) bed expansion, increase the size of the ICU nurse’s station and general upgrades to the existing unit by way of improved lighting, acoustics, ceiling, floor and wall finishes and centrally located medication and supply rooms.
- Phase 3 – Renovate 1,200 SF of existing space to improve several ancillary areas associated with the unit’s operation. The areas include equipment storage, conference room, waiting room and staff-related offices, break room and on-call room.

14. The schedule for each phase of the project is as follows: *(January 12, 2006, Initial CON submission, page 39)*

**Table 5: Project Schedule**

<b>Descriptions:</b>	<b>Phase 1</b>	<b>Phase 2</b>	<b>Phase 3</b>
Renovation Commencement	12/5/2005	5/28/2006	12/26/2007
Renovation Completion	4/16/2006	12/3/2006	3/10/2008
Phase Completion	5/28/2006	12/24/2007	3/31/2008
Operations Commencement	5/29/2006	12/25/2007	4/1/2008

15. Project work will be coordinated in a manner that will allow the Hospital to provide all its services in an uninterrupted fashion. *(January 12, 2006, Initial CON submission p. 38)*

16. There are four acute care hospitals that provide intensive care service within the Hospital’s service area. FY 2004 ICU utilization data for each hospital are as follows: *(January 12, 2006, Initial CON submission, page 22 and 23)*

**Table 6: Utilization Statistics of Other Area Hospitals Providing ICU Services\***

<b>Hospital:</b>	<b>ICU Staffed Beds</b>	<b>ICU Patient Days</b>	<b>Percentage Occupancy</b>
Hartford Hospital	66	18,214	75.6%
New Britain General Hospital	24	5,503	62.8%
St Francis Hospital & Med. Ctr., Hartford	42	10,980	71.6%
Bristol Hospital	14	3,239	63.4%

Note: \* Source data: OHCA Hospital Annual Reporting, Schedule 500, FY 2004 data for each Hospital.

17. The Hospital states that the proposal is not expected to have an impact on any acute care hospital providing intensive care services that exists within the Hospital’s service area. *(January 12, 2006, Initial CON submission, page 23)*

18. The Hospital is accredited by the Joint Commission on Accreditation of Health Care Organizations. (January 12, 2006, Initial CON submission, page 28 and Exhibit 6, page 288)

**Financial Feasibility and Cost Effectiveness 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**

19. The project's total capital expenditure is \$3,261,400. The expenditure consists of \$2,411,400 in building work and \$850,000 in non-medical equipment purchases. (January 12, 2006, Initial CON submission, page 36)
20. An itemization of the proposed building costs is presented in the following table: (January 12, 2006, Initial CON submission, page 37)

**Table 7: Building Cost Itemization**

<b>Description:</b>	<b>Component Cost</b>
Total Renovation Costs	\$1,760,400
Total Architect & Engineering Costs	\$253,500
Total Contingency Costs	\$397,500
<b>Total Building Work Cost</b>	<b>\$2,411,400</b>

21. The Hospital will finance the project entirely through available operating funds. (January 12, 2006, Initial CON submission, page 39)
22. The Hospital's projected incremental revenue from operations, operating expense, and gain/(loss) from operations associated with the proposal are presented in the following table: (January 12, 2006, Initial CON submission, page 41 and Exhibit 14, pages 355 and 356)

**Table 8: Financial Projections Incremental to the Proposal**

<b>Description: Fiscal Year</b>	<b>Partial FY 2008</b>	<b>Full FY 2009</b>	<b>Full FY 2010</b>	<b>Full FY 2011</b>
Incremental Revenue from Operations	\$401,304	\$2,615,997	\$4,655,531	\$6,762,257
Incremental Operating Expenses	\$644,897	\$2,732,648	\$4,257,745	\$5,042,667
<b>Incremental (Loss)/Gain from Operations</b>	<b>(\$243,593)</b>	<b>(\$116,651)</b>	<b>\$397,786</b>	<b>\$1,719,590</b>

23. The projected incremental losses from operations in FY 2008 and FY 2009 are due to inadequate incremental volume and revenue necessary to cover the additional costs associated with the unit's expansion. (January 12, 2006, Initial CON submission, page 41 and Exhibit 14, pages 355 and 356 and March 16, 2006, Completeness responses, page 24 and A Exhibit 4, pages 1 and 2 of 2)
24. The Hospital indicates that the incremental staffing requirements, in full time equivalents ("FTEs"), attributable to the proposed service expansion are presented in the following table: (March 16, 2006, Completeness responses, page 24 and Exhibit 4, page 1)

**Table 9: Proposed Incremental ICU Staffing**

Positions Descriptions	Partial FY 2008 FTEs	Full FY 2009 FTEs	Full FY 2010 FTEs	Full FY 2011 FTEs
Certified Nurses Assistant	1.00	3.00	3.50	3.50
Office Assistant	1.00	3.00	4.60	4.60
Advanced Practice Registered Nurse	0.40	3.70	5.00	5.00
Registered Nurse	2.00	9.00	16.00	16.00
<b>Total Incremental FTEs</b>	<b>4.40</b>	<b>18.70</b>	<b>29.10</b>	<b>29.10</b>

25. The current and projected payer mix percentages for the first three years of operating the expanded ICU are as follows: *(January 12, 2006, Initial CON submission, page 41 )*

**Table 10: Current & Three-Year Projected Payer Mix**

Description	Current	Year 1	Year 2	Year 3
Medicare	42.38%	42.38%	42.38%	42.38%
Medicaid	11.75%	11.75%	11.75%	11.75%
CHAMPUS & TriCare	0.19%	0.19%	0.19%	0.19%
<b>Total Government</b>	<b>54.32%</b>	<b>54.32%</b>	<b>54.32%</b>	<b>54.32%</b>
Commercial Insurers	42.04%	42.04%	42.04%	42.04%
Uninsured	0.34%	0.34%	0.34%	0.34%
Workers Compensation	1.80%	1.80%	1.80%	1.80%
<b>Total Non-Government</b>	<b>44.18%</b>	<b>44.18%</b>	<b>44.18%</b>	<b>44.18%</b>
Uncompensated Care	1.50%	1.50%	1.50%	1.50%
<b>Total Payer Mix</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

26. There is no State Health Plan in existence at this time. *(January 12, 2006, Initial CON submission, page 3)*
27. The Hospital has adduced evidence that the proposal is consistent with the Hospital's Long Range Plan. *(January 12, 2006, Initial CON submission, page 3)*
28. The Hospital has improved productivity and contained costs by undertaking energy conservation measures regarding its facilities management; by participating in activities involving the application of new technologies; and by employing group purchasing practices in its procurement of supplies and equipment. *(January 12, 2006, Initial CON submission, pages 30 & 31)*
29. The Hospital indicates that the project will serve to enhance the educational and research missions of the institution. *(January 12, 2006, Initial CON submission, pages 31 through 34)*
30. The Hospital's patient/physician mix is similar to that of other acute care, university-affiliate teaching hospitals. The proposal will not result in any change to this mix. *(January 12, 2006, Initial CON submission, page 34)*
31. The Hospital possesses sufficient technical, financial and managerial competence and expertise to provide efficient and adequate service to the public. *(January 12, 2006, Initial CON submission, page 27 and Exhibit 5, pages 197 through 286)*

32. The Hospital's rates are sufficient to cover the proposed capital cost and operating expenses associated with the proposal. *(January 12, 2006, Initial CON submission, page 41 and Exhibit 14, pages 354 through 362)*

## **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.

John Dempsey Hospital ("Hospital"), a component part of the University of Connecticut ("UConn") Health Center, is an acute care hospital located at 263 Farmington Avenue in Farmington. The Hospital operates a closed, multidisciplinary intensive care unit ("ICU" or "unit"), which serves all disciplines of adult medicine including medical/surgical services, neurosurgery, cardiology, cardiothoracic surgery and open heart surgery. The Hospital is proposing to increase the number of its ICU beds by 7 licensed beds, from 15 to 22 licensed beds. The total bed capacity of the Hospital will increase from 224 to 231 licensed beds as a result of the proposed expansion. The bed expansion will occur on the Hospital's second floor, within space adjacent to the existing ICU. The planned expansion includes the creation of 7 new private ICU patient rooms in existing space, improvements to a number of the unit's ancillary areas and the relocation of three existing health services to accommodate the unit's expansion. The projected service volumes for the first three operating years of the expanded service are increasing at an annual growth rate of 7% resulting in ICU patient days of 4,172, 4,464 and 4,777 for FYs 2009 through 2011, respectfully.

The need for the ICU expansion project is based upon the Hospital's reported actual and projected utilization statistics for the intensive care unit. OHCA finds that the actual service volumes of the intensive care unit are not sufficient to support the need for the proposed service expansion. Specifically, the unit's average daily census ("ADC") and percentage occupancy statistics do not justify the need for additional licensed beds. While the Hospital reports that its actual annual ICU patient days have been increasing for the fiscal years reported (2,418 patient days in FY 2002 increasing to 3,183 patient days in FY 2005), there has been little variation in the unit's actual annual ADC covering the same time period. The census has averaged 7 patients in FY 2002 and 8 patients in FYs 2004 and 2005. The annual percentage occupancies were 46.7% in FY 2002, 60.0% in FY 2003, 53.3% in FY 2004 and 53.3% in FY 2005. Annual reporting of the unit's percentage occupancy has demonstrated available capacity averaging approximately 47% for FYs 2004, 2005 and 2006. Based on all the above, OHCA concludes that the Hospital's projections do not appear to be achievable when compared to actual ICU service volumes attained by the Hospital.



The Hospital has projected a total capital expenditure of \$3,261,400, which is to be financed entirely by Hospital operating funds. The Hospital projects incremental losses from operations of approximately \$243,600 and \$116,700 for FYs 2008 and 2009, respectively. For FYs 2010 and 2011, the Hospital projects incremental gains from operation of approximately \$397,800 and \$1,719,600, respectively. According to the Hospital the projected incremental losses from operations in FYs 2008 and 2009 are attributable to inadequate incremental volume and revenue necessary to cover the additional costs associated with the unit's expansion. Since the financial feasibility of the proposal rests with the ability of the Hospital to achieve its service volume projections, the Hospital's ICU service volume projections are questionable given the unit's historical service volumes. OHCA, therefore, concludes that the proposed service expansion is neither financially feasible nor cost-effective.

Based on the foregoing Findings and Rationale, the Certificate of Need application of John Dempsey Hospital to increase the licensed bed capacity of its intensive care unit by 7 beds, from 15 to 22 licensed beds, at a total capital expenditure of \$3,261,400, is hereby DENIED.

## **Order**

The proposal of John Dempsey Hospital to increase the licensed bed capacity of its intensive care unit by 7 beds, from 15 to 22 licensed beds, at a total capital expenditure of \$3,261,400, is hereby DENIED.

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 12, 2006

Signed by Cristine A. Vogel  
Commissioner

CAV:jah