Office of Health Care Access
Certificate of Need Application

Final Decision

Applicant:	**Johnson Memorial Hospital**
Docket Number:	**05-30573-CON**
Project Title:	**Three Bed Expansion of Inpatient Behavioral Health Unit**
Statutory Reference:	**Section 19a-638 of the Connecticut General Statutes**
Filing Date:	**February 6, 2006**
Decision Date:	**March 10, 2006**
Default Date:	**May 7, 2006**
Staff Assigned:	**Laurie K. Greci**

Project Description: Johnson Memorial Hospital is proposing to expand its Inpatient Behavioral Health Unit by three beds, resulting in an increase from 89 licensed beds to 92 licensed beds, at a total capital expenditure of $175,000.

Nature of Proceedings: On February 6, 2006, the Office of Health Care Access ("OHCA") received a Certificate of Need ("CON") application from Johnson Memorial Hospital ("Hospital") seeking authorization to expand its Inpatient Behavioral Health Unit by three beds, resulting in an increase from 89 licensed beds to 92 licensed beds, at a total capital expenditure of $175,000. 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 concerning OHCA's receipt of the Hospital's Letter of Intent was published in the *Journal Inquirer* on August 20, 2005, pursuant to Section 19a-638, C.G.S. OHCA received no response 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 February 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 February 27, 2006.
OHCA's authority to review and approve, modify or deny the CON application 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. Johnson Memorial Hospital ("Hospital") is an acute care, general hospital located at 201 Chestnut Hill Road, in Stafford Springs, Connecticut. *(December 1, 2005, Initial CON Submission, page 114)*

2. The Hospital is proposing to expand its Inpatient Behavioral Health ("IBH") unit by enlarging and converting three single occupancy patient rooms to double occupancy rooms to allow for three additional beds, resulting in an increase from 89 licensed beds to 92 licensed beds. *(December 1, 2005, Initial CON Submission, pages 1 and 16)*

3. The Hospital's total licensed bed capacity is 89 beds. The following table lists the number of beds by service line:

Table 1: Number of Licensed Beds by Service Line

Service Line	Current Number of Licensed Beds	Proposed Number of Licensed Beds
Medical/Surgical	56	56
Intensive Care Unit	7	7
Pediatrics	3	3
Behavioral Health	17	20
Maternity	6	6
Total	**89**	**92**

(February 6, 2006, CON Completeness Response, page 1)

4. The following table reports the number of staffed beds and the average occupancy of the staffed beds since Fiscal Year ("FY") 2001:

Table 2: Number of Staffed Beds and Average Occupancy (%)

FY	Number of Staffed Beds	Average Occupancy of Staffed Beds (%)
2001	53	86.2%
2002	57	76.5%
2003	63	74.3%
2004	71	71.7%
2005	78	74.9%

(February 6, 2006, CON Completeness Response, page 1)

5. The Hospital staffs 49 of the designated 56 medical/surgical beds on an ongoing basis. The remaining seven beds are available and often used based on the variability of patient volume. The use of the seven beds is impacted by:
   a) Isolation issues;
   b) Placement of male and female patients;
   c) Hospice patients with family who wish to remain at the patients bedside;
   d) Confused patients who need to be placed in "single" rooms to prevent disruption to other patients; and
   e) Beds taken out of service for cleaning, maintenance, or room renovations.

   (February 6, 2006, CON Completeness Response, pages 1 and 2)

6. The Hospital expects to fully staff each licensed medical/surgical bed in the near future as a matter of practice. When the unit is operating a maximum census the Hospital places patients in intensive care unit beds. With the expected increase in bed usage due to the Hospital's Emergency Department Expansion Project, additional demand will be placed onto the unit requiring that the seven beds be staffed. *(February 6, 2006, CON Completeness Response, pages 2 and 4)*

7. The following table reports the average number of staffed beds and average occupancy for the Hospital's medical/surgical beds:

Table 3: Medical/Surgical Beds Staffed and Average Occupancy (%)

FY	Number of Staffed Beds	Average Occupancy of Staffed Beds (%)
2001	33	92.8%
2002	36	82.9%
2003	40	78.7%
2004	47	71.2%
2005	49	77.5%

(February 6, 2006, CON Completeness Response, page 5)

8. The Hospital's intensive care unit, pediatrics unit, and maternity unit each have a small number of licensed beds. The Hospital stated that any one of these services can have a full census and is staffed accordingly. *(February 6, 2006, CON Completeness Response, page 4)*

9. The IBH unit had the following total length of stay, in days, by patient state of residence:

Table 4: Inpatient Behavioral Health Unit Total Length of Stay by Patient State of Residence

Reported Time Period	Total Length of Stay, Days		
	Connecticut	Out-of-State	Combined
FY 2003	3,492	214	3,706
FY 2004	4,149	192	4,341
FY 2005, first two quarters, actual	2,270	115	2,385
FY 2005, annualized^	4,503	228	4,731

^ **(**Total Days/ 184 days in first two quarters) * 365.

(Hospital Inpatient Database, FYs 2003, 2004, and first two quarters of FY 2005)

10. The following table provides the IBH unit average number of staffed beds and average occupancy as reported by the Hospital:

Table 5: IBH Unit Beds Staffed and Average Occupancy (%)

FY	Number of Staffed Beds	Average Occupancy of Staffed Beds (%)
2001	10	101.3%
2002	11	83.0%
2003	11	92.7%
2004	14	84.7%
2005*	17	86.1%

*Based on data available at the time of response.

(February 6, 2006, CON Completeness Response, pages 2 and 5)

11. The Hospital stated that its primary service area for the IBH unit is comprised of the following towns: Ashford; Bloomfield; Coventry; East Granby; East Windsor; Ellington; Enfield; Granby; Mansfield; South Windsor; Somers; South Windsor; Stafford; Suffield; Tolland; Vernon; Willimantic; Windsor; and Windsor Locks. Willington and Manchester make up the secondary service area for the IBH unit. ***(****December 1, 2005, Initial CON Submission, page 3)*

12. The Hospital based its primary and secondary service areas for the IBH unit on the number of admissions, the travel distance to the Hospital, and the town's proximity to another hospital with an inpatient behavioral health unit. *(February 6, 2006, CON Completeness Response, page32)*

13. The following table reports by fiscal year the total length of stay for the IBH unit by patient town of residence:

Table 6: Inpatient Behavioral Health Unit Total Length of Stay by Patient Town of Residence

Patient Town of Residence	Total Length of Stay, Days			Number of Discharges		
	FY 2003	FY 2004	FY 2005*	FY 2003	FY 2004	FY 2005*
East Windsor	224	293	134	32	39	18
Enfield	1,321	1,662	1126	203	214	104
Somers	119	131	83	21	18	12
Stafford and Union[1]	387	795	215	70	73	28
Windsor Locks	279	295	119	58	34	10
Other Primary Town	1,044	908	460	158	107	59
Secondary Towns	118	65	133	20	8	10
Out-of-State	214	192	115	45	34	13
Grand Total	**3,706**	**4,341**	**2,385**	**607**	**527**	**254**

*First two quarters of fiscal year.

(Hospital Inpatient Database, FYs 2003, 2004, and first two quarters of FY 2005)

14. The other provider in the area, Manchester Memorial Hospital, is located within the Hospital's secondary service area. *(December 1, 2005, Initial CON Submission, page 5)*

15. The Hospital based its need for the additional IBH beds on the following:
    a) Increase in admissions and discharges
    b) Transfers of patients to other providers;
    c) Improved accessibility to care; and
    d) Continuity of care.

    (December 1, 2005, Initial CON Submission, pages 4, 6, and 19)

16. The Hospital stated that the proposed additional beds in the IBH unit will remedy the geographic barrier to treatment as patients will not need:
    - to be transferred to alternative facilities;
    - to travel out of the area to find a provider; and
    - to experience a treatment delay of one or more days.

    (December 1, 2005, Initial CON Submission, pages 6 and 9).

17. The placement of a person in an alternative facility, such as another acute care hospital, causes an undue hardship on the patient's family members. Family involvement is important in behavioral health treatment. *(December 1, 2005, Initial CON Submission, page 6)*

[1] Town of Residence is established by zip code; Stafford and Union share the same zip code.

18. The Hospital's proposal is based on an internal needs assessment that utilized the following information:
    - Hospital's Census Tracking Report for past two fiscal years;
    - Hospital's Monthly Census Report;
    - Crisis Team Tracking Information;
    - Average length of stay report for FY 2005; and
    - Discussions with local mental health providers.

    (December 1, 2005, Initial CON Submission, page 10)

19. The Hospital's Census Tracking Report showed that the IBH unit averaged 14.6 patients per day in FY 2005. With the exclusion of the months of December and January, due to seasonal downtime, the census average 15.2 patients per day for the ten month timeframe. At 15.2 patients per day, the IBH unit is at 89% (15.2 patients/day divided by 17 beds) utilization. *(December 1, 2005, Initial CON Submission, page 10)*

20. The Hospital's Monthly Census Report shows that there are numerous days each month at which the IBH unit operates at its maximum census of 17 beds. The Hospital reported 4,534 bed days for the IBH unit for the first ten months of FY 2005, annualized at 5,441 bed days. *(December 1, 2005, Initial CON Submission, pages 10 and pages 30 through 39)*

21. The Crisis Team Tracking Information reported that from March 2005 through October 2005, 46 patients could not be admitted to the IBH Unit due to the unavailability of beds. The Hospital stated that on an annualized basis 69[2] patients could not be admitted to the IBH unit. These patients had to be transferred from the Hospital's Emergency Department to other hospitals. The average number of patients transferred between March 2005 and October 2005 was 6 patients per month. *(December 1, 2005, Initial CON Submission, pages 4, 10 and 41)*

22. With 69 additional patients staying an average length of 10 days, this represents 690 bed days per year. These patients alone would require an additional 1.9 beds.[3] The Hospital anticipates a minimum utilization of 2 beds per day. *(December 1, 2005, Initial CON Submission, page 4)*

23. The Hospital stated that it anticipates adding the three beds in April 2006 and projects that the average daily census will increase from 15.3 beds to 16.6[4] beds for the remaining months in FY 2006. The Hospital projects a total of 6,065[5] bed days each year for FY 2007 and FY 2008. *(December 1, 2005, Initial CON Submission, pages 7 to 9)*

[2] 46 patients/8 months *12 months/year = 69 patients per year.
[3] 690 bed days divided by 365 days per year = 1.89 beds per year.
[4] OHCA cannot verify the Hospital's anticipated utilization of the IBH unit.
[5] 16.6 beds per day * 365 days per day = 6,065.

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 the Payers for Such Services
Consideration of Other Section 19a-637, C.G.S. Principles and Guidelines

24. The total capital expenditure for the proposal is $175,000. The expenditure is for the renovation of three existing patient rooms to enlarge the space to accommodate an additional bed in each room. *(December 1, 2005, Initial CON Submission, page 16)*

25. The Hospital will finance the proposal through its operating funds. *(December 1, 2005, Initial CON Submission, pages 14 & 15)*

26. The Hospital projected incremental revenue from operations, total operating expenses and gains from operations associated with the CON proposal as follows:

Table 8: Hospital's Financial Projections for FYs 2007, 2008 and 2009

Description	**FY 2006**	**FY 2007**	**FY 2008**
Incremental Revenue from Operations	$254,840	$479,156	$497,285
Incremental Total Operating Expenses	149,690	303,929	312,393
Incremental Gain from Operations	**$105,151**	**$175,227**	**$184,892**

(December 1, 2005, Initial CON Submission, pages 125 and 126)

27. The Hospital's current payer mix percentages and the projected payer mix percentages for the first three years the additional IBH beds are presented in the following table:

Table 9: Hospital's Current & Three-Year Projected Payer Mix Percentages

Description	**Current**	**FY 2006**	**FY 2007**	**FY 2008**
Medicare	62.7%	62.7%	62.7%	62.7%
Medicaid	9.2	9.2	9.2	9.2
CHAMPUS or Tri-Care	1.1	1.1	1.1	1.1
Total Government	**73.0**	**73.0**	**73.0**	**73.0**
Commercial Insurers	24.0	24.0	24.0	24.0
Uninsured	3.0	3.0	3.0	3.0
Workers Compensation	0.0	0.0	0.0	0.0
Total Non-government	**27.0**	**27.0**	**27.0**	**27.0**
Total Payer Mix	**100%**	**100%**	**100%**	**100%**

(December 1, 2005, Initial CON Submission, page 19)

28. There is no State Health Plan in existence at this time. *(December 1, 2005, Initial CON Submission, page 2)*

29. The Hospital has adduced evidence that the proposal is consistent with the Hospital's long range plan. *(December 1, 2005, Initial CON Submission, page 2)*

30. The Hospital has improved productivity and contained costs in the past year through energy conservation, reengineering, and the application of technology. *(December 1, 2005, Initial CON Submission, page 13)*

31. The proposal will not result in any change to the Hospital's teaching and research responsibilities. *(December 1, 2005, Initial CON Submission, page 13)*

32. There are no distinguishing characteristics of the Hospital's current patient/physician mix that makes the proposal unique. *(December 1, 2005, Initial CON Submission, page 14)*

33. The Hospital has sufficient technical, financial and managerial competence and expertise to provide efficient and adequate service to the public. *(December 1, 2005, Initial CON Submission, Appendix G)*

34. The Hospital's rates are sufficient to cover the proposed capital expenditure and operating costs associated with the proposal. *(December 1, 2005, Initial CON Submission, Appendix O)*

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.

Johnson Memorial Hospital ("Hospital") is an acute care, general hospital located at 201 Chestnut Hill Road, in Stafford Springs, Connecticut. The Hospital is proposing to expand its Inpatient Behavioral Health ("IBH") unit by three beds, resulting in an increase from 89 licensed beds to 92 licensed beds. The Hospital based the need for the additional beds on increases in admissions to the IBH unit and transfers of patients to other providers, and on improving the accessibility to care and the continuity of care. The Hospital currently has seventeen licensed and staffed IBH beds. With the increase in beds, the IBH unit will have twenty licensed and staffed IBH beds.

The Hospital's licensed bed capacity is 89 beds divided among five service lines. The Hospital's has been experiencing yearly increases in patient days and has staffed beds accordingly. In FY 2001, the Hospital had 53 staffed beds which increased to 78 beds by FY 2005. For the first two quarters of FY 2005, the Hospital's overall bed occupancy rate was 74.9%, and the rate for the medical/surgical unit was 77.5%. The IBH unit, with the seventeen licensed and staffed beds, has an average bed occupancy rate in excess of 80%. For the first two quarters of FY 2005, the unit had an occupancy rate of 86.1%. Also, in FY 2005, the IBH unit averaged 14.6 patients per day which increases to 15.2 patients per day when excluding the months of January and December, two months that have a seasonal downturn in demand. At 15.2 patients per day, the IBH unit is at 89% utilization. The

additional three beds should return the unit to the Hospital's average occupancy rate of 75%.[6]

The Hospital's Crisis Team Tracking Information reported that from March 2005 through October 2005, 46 patients could not be admitted to the IBH unit due to the unavailability of beds. The Hospital stated that on an annualized basis 69[7] patients could not be admitted to the IBH unit. These patients had to be transferred from the Hospital's Emergency Department to other hospitals. With 69 additional patients staying an average length of ten days, this represents 690 bed days per year. These patients alone would require an additional 1.9 beds.[8] The Hospital is requesting an additional three beds and anticipates a minimum utilization of 2 beds per day.

Based on the above, OHCA finds that the Hospital has demonstrated that its proposal to expand its Inpatient Behavioral Health unit by three beds will enable the Hospital to admit more patients to the unit and alleviate the need for patients to travel to another provider outside the service area. The Hospital's proposal will improve the accessibility of inpatient behavioral health services to the region and improve patients' continuity of care.

The project's total capital expenditure is $175,000. The proposal will be financed through operating funds. The Hospital projects incremental gains from operations of $105,151, $175,227, and $184,892 for FYs 2006, 2007, and 2008, respectively. 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 Hospital's proposal is both financially feasible and cost-effective.

Based upon the foregoing Findings and Rationale, the Certificate of Need application of Johnson Memorial Hospital to expand its Inpatient Behavioral Health Unit by three beds, at a total capital expenditure of $175,000 is hereby GRANTED.

[6] 15.2 patients/day divided by 0.75 = 20.3 beds.
[7] 46 patients/8 months *12 months/year = 69 patients per year.
[8] 690 bed days divided by 365 days per year = 1.89 beds per year.

Order

Johnson Memorial Hospital ("Hospital") is hereby authorized to expand its Inpatient Behavioral Health unit by three beds; at a total capital expenditure is $175,000, subject to the following conditions:

1. This authorization shall expire on March 10, 2008. Should the Hospital's three bed Inpatient Behavioral Health unit expansion 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 project cost of $175,000. 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 is currently licensed for 89 beds. The Hospital's is authorized to increase the total number of licensed beds by three to a total of 92 licensed beds, with 20 licensed beds allocated to the Inpatient Behavioral Health unit. If the Hospital proposes to change the location of the beds in the Inpatient Behavioral Health unit, a Certification of Need determination shall be filed with OHCA.

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

March 10, 2006

Signed by Cristine A. Vogel
Commissioner

CAV:lkg