



## Office of Health Care Access Certificate of Need Application

### Final Decision

**Applicant:** Bridgeport Hospital

**Docket Number:** 05-30623-CON

**Project Title:** Air-Handling System Replacement Project

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

**Filing Date:** March 3, 2006

**Decision Date:** March 27, 2006

**Default Date:** June 1, 2006

**Staff Assigned:** Jack A. Huber

**Project Description:** Bridgeport Hospital proposes to replace the air-handling system for its surgical operating suites, at an estimated total capital expenditure of \$1,377,000.

**Nature of Proceedings:** On March 3, 2006, the Office of Health Care Access (“OHCA”) received the Certificate of Need (“CON”) application from Bridgeport Hospital (“Hospital”) seeking authorization to replace the current air-handling system for its surgical operating suites, at an estimated total capital expenditure of \$1,377,000. The Hospital is a health care facility or institution as defined in 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 Hospital’s Letter of Intent was published in the *Connecticut Post* on December 3, 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 March 24, 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 March 24, 2006.

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. Bridgeport Hospital ("Hospital") is an acute care hospital located at 267 Grant Street in Bridgeport. *(March 6, 2006, CON application, page 1 and Attachment III, page 31)*
2. The Hospital is proposing to replace an air-handling system ("system") for a new state-of-the art system. The current system supplies filtered high-efficiency particulate air ("HEPA") to twelve (12) operating room suites located in the Hospital's surgical department. *(March 3, 2006, CON application, page 2)*
3. Filtered air is required in the operating rooms to maintain a sterile field for surgical procedures. The new system will provide improved air filtration as well as improved temperature control. *(March 3, 2006, CON application, page 2)*
4. The Hospital performs over 5,000 surgical procedures on an annual basis. The proposal will have no appreciable effect on the projected service volume of the Hospital's surgical department. *(March 3, 2006, CON application, page 3)*
5. The existing air-handling system was originally installed in the late 1960's and is approximately thirty-six (36) years old. An air-handling system typically has a useful life of fifteen (15) years. *(March 3, 2006, CON application, pages 2 and 11)*
6. The Hospital based the need for the proposal on the age of the equipment. *(March 3, 2006, CON application, pages 2 and 3)*
7. The project includes the use of a redundant system that will be installed and utilized in the interim to ensure the surgical suites remain fully functional while the existing equipment is removed and the new system is installed. The redundant system will remain at the completion of the project and will be utilized as the back-up air-handling system for the surgical department. *(March 3, 2006, CON application, page 3)*
8. The replacement system that has been chosen by the Hospital will meet or exceed the guidelines for the design and construction of hospitals set forth by the American Institute of Architects. *(March 3, 2006, CON application, page 5)*

9. Patient care will not be affected by the proposed project. Project work will be coordinated in a manner which will allow for all Hospital services to be provided in an uninterrupted fashion. *(March 3, 2006, CON application, pages 3 and 4)*
10. The Hospital anticipates the project to be fully implemented by May 2007. *(March 3, 2006, CON application, page 11)*

**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**

11. An itemization of the total capital expenditure is as following: *(March 3, 2006, CON application, page 9)*

**Table 1: Capital Expenditure Itemization**

Description	Component Cost
Non-Medical Equipment	\$568,500
Construction/Renovation	\$170,000
Other Costs i.e. Delivery, Installation & Contingency	\$638,500
<b>Total Capital Expenditure</b>	<b>\$1,377,000</b>

12. The proposed capital expenditure will be financed entirely through Hospital operating funds. *(March 3, 2006, CON application, page 12)*
13. While the project will not affect Hospital operations for FY 2006, the Hospital's projected incremental revenue from operations, total operating expense and losses from operations associated with the implementation of the proposal for FYs 2007 and 2008 are as follows: *(March 3, 2006, CON application, page 13 and Attachment IX, page 64)*

**Table 2: Hospital's Financial Projections Incremental to the Project**

Description	FY 2007	FY 2008
Incremental Revenue from Operations	\$0	\$0
Incremental Total Operating Expense	\$46,000	\$92,000
<b>Incremental Operating (Loss)</b>	<b>(\$46,000)</b>	<b>(\$92,000)</b>

14. The projected incremental losses from operations are due to increased non-cash depreciation expense associated with the project costs incurred. *(March 3, 2006, CON application, page 13 and Attachment IX, page 64)*

15. The Hospital’s projected overall facility revenue from operations, total operating expense and gain/loss from operations with the implementation of the proposal for FYs 2006 through 2008 are as follows: *(March 3, 2006, CON application, page 13 and Attachment IX, page 64)*

**Table 3: Overall Hospital Financial Projections with the Project**

<b>Description</b>	<b>FY 2006</b>	<b>FY 2007</b>	<b>FY 2008</b>
Revenue from Operations	\$291,400,000	\$308,010,000	\$323,950,000
Total Operating Expense	\$292,900,000	\$308,009,000	\$323,070,000
<b>Operating Gain/(Loss)</b>	<b>(\$1,500,000)</b>	<b>\$1,000</b>	<b>\$880,000</b>

16. The current and projected payer mix percentages for the first three years with the proposal are as follows: *(March 3, 2006, CON application, pages 12 &13)*

**Table 4: Hospital’s Current and Projected Three-Year Payer Mix**

<b>Description</b>	<b>Current</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
Medicare	40.69%	40.69%	40.69%	40.69%
Medicaid	20.84%	20.84%	20.84%	20.84%
TriCare (CHAMPUS)	0.13%	0.13%	0.13%	0.13%
<b>Total Government</b>	<b>66.61%</b>	<b>66.61%</b>	<b>66.61%</b>	<b>66.61%</b>
Commercial Insurers	33.47%	33.47%	33.47%	33.47%
Uninsured	3.48%	3.48%	3.48%	3.48%
Workers Compensation	1.39%	1.39%	1.39%	1.39%
<b>Total Non-Government</b>	<b>38.34%</b>	<b>38.34%</b>	<b>38.34%</b>	<b>38.34%</b>
<b>Total Payer Mix</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

16. There is no State Health Plan in existence at this time. *(March 3, 2006, CON application, page 2)*
17. The Hospital has adduced evidence that the proposal is consistent with its long-range plan. *(March 3, 2006, CON application, page 2)*
18. The Hospital has improved productivity and contained costs by undertaking energy conservation measures regarding its facilities; participating in activities involving the application of new technology; and employing group purchasing practices in its procurement of supplies and equipment. *(March 3, 2006, CON application, page 7)*
19. The proposal will not result in any change to the Hospital’s teaching and research responsibilities. *(March 3, 2006, CON application, page 7)*
20. The Hospital’s current patient/physician mix is similar to that of other acute care hospitals in the region. The proposal will not result in any change to this mix. *(March 3, 2006, CON application, page 7)*
21. The Hospital has sufficient technical, financial and managerial competence and expertise to provide efficient and adequate service to the public. *(March 3, 2006, CON application, page 6 and Attachment III, pages 24 through 29)*

22. The Hospital's rates are sufficient to cover the proposed capital expenditure and operating costs associated with the proposal. (*March 3, 2006, CON application, page 13 and Attachment IX, page 64*)

## **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.

Bridgeport Hospital ("Hospital") is requesting to replace the air-handling system ("system") for its surgical operating suites. The Hospital based the need for the replacement on the age of the system's equipment. While such a system typically has a useful life of fifteen (15) years, the existing system is approximately 36 years old. Filtered air is required in the operating room suites to maintain a sterile field for surgical procedures. The new system will provide improved air filtration and temperature control within the surgical department.

The project includes the use of a redundant system that will be installed and utilized in the interim to ensure the surgical suites remain fully functional. The redundant system will remain at the completion of the project and will be utilized as the back-up air-handling system. The replacement system that has been chosen by the Hospital will meet or exceed the guidelines for the design and construction of hospitals set forth by the American Institute of Architects. Patient care will not be affected by the proposed project. Project work will be coordinated in a manner which will allow for all Hospital services to be provided in an uninterrupted fashion. The Hospital anticipates the project to be fully implemented by May 2007. Based on the above, OHCA concludes that the implementation of the proposal will result in improved air handling for the Hospital's surgical operating suites.

The total capital expenditure associated with the replacement project is \$1,377,000. The project costs will be financed entirely through Hospital operating funds. While the proposal will not affect Hospital operations for FY 2006, the Hospital projects incremental losses from operations of \$46,000 and \$92,000 for FYs 2007 and 2008, respectively. The projected incremental losses from operations are due to increased non-cash depreciation expense associated with the capital costs that will be incurred with the project. Further, the Hospital projects overall facility gains from operations of \$1,000 and \$880,000 for FYs 2007 and 2008, respectively. The proposal will, however, assist the Hospital in remaining productive and efficient overall. Although OHCA can not draw any conclusions, the Hospital's financial projections upon which they are based appear to be reasonable. 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 Bridgeport Hospital ("Hospital") to replace the current air-handling system for its surgical operating suites, at a total capital expenditure of \$1,377,000, is hereby GRANTED.

## **Order**

Bridgeport Hospital (“Hospital”) is hereby authorized to replace the current air-handling system for its surgical operating suites, at a total capital expenditure of \$1,377,000, subject to the following conditions:

1. This authorization shall expire on May 1, 2009. Should the Hospital’s replacement project 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 capital expenditure of \$1,337,000. 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.

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 27, 2006

Signed by Cristine A. Vogel  
Commissioner

CAV: jah