



Office of Health Care Access Certificate of Need Application

Final Decision

Applicant: Yale-New Haven Hospital

Docket Number: 06-30667-CON

Project Title: Patient Bed Replacement Project

Statutory Reference: Section 19a-639, Connecticut General Statutes

Filing Date: May 12, 2006

Decision Date: June 7, 2006

Default Date: August 10, 2006

Staff Assigned: Jack A. Huber

Project Description: Yale-New Haven Hospital proposes to replace existing patient beds at a total proposed capital expenditure of \$5,000,488.

Nature of Proceedings: On May 12, 2006, the Office of Health Care Access (“OHCA”) received Yale-New Haven Hospital’s (“Hospital”) Certificate of Need (“CON”) application to replace existing patient beds, at a total proposed capital expenditure of \$5,000,488. 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 *New Haven Register* on February 4, 2006. Pursuant to Public Act 05-75, three individuals or an individual representing an entity with five or more people had until June 2, 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.

OHCA's authority to review, approve, modify or deny this proposal 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

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. Yale-New Haven Hospital ("Hospital") is an acute care, teaching hospital located at 20 York Street in New Haven, Connecticut. *(May 12, 2006, CON application filing, page 6 and Appendix II, page 49)*
2. The Hospital identified the following towns within its primary service area: Ansonia, Bethany, Branford, Cheshire, Clinton, Deep River, Derby, East Haven, Essex, Guilford, Hamden, Killingworth, Madison, Meriden, Milford, New Haven, North Branford, North Haven, Old Saybrook, Orange, Oxford, Seymour, Wallingford, Westbrook, West Haven and Woodbridge. *(January 4, 2006, Letter of Intent ("LOI"), page 5)*
3. The Hospital proposes to acquire replacement patient beds, cribs and warmers ("beds") in care units throughout the Hospital. The total number of patient beds to be replaced is 837 beds, consisting of 750 inpatient beds, 37 cribs, 31 bassinets, 10 cribettes and 9 warmers. *(May 12, 2006, CON application filing, page 8 and Appendix IV, page 53)*
4. The project will replace beds that were predominately purchased in 1992 through 1993. *(May 12, 2006, CON application filing, page 4)*
5. The useful life of a hospital bed frame approximates 15 years of service and the surface treatment approximates 5 years of service. *(May 12, 2006, CON application filing, page 4)*
6. The useful life of a hospital bed is approximately 12 years. *(January 4, 2006, LOI, page 5)*
7. Replacing the Hospital's existing patient beds with new, state-of-the-art beds will enhance patient care and eliminate the need to frequently take beds out of service for maintenance and repair. *(May 12, 2006, CON application filing, page 4)*

**Financial Feasibility of the Proposal and its Impact on the Hospital's Rates and
Financial Condition
Impact of the Proposal on the Applicant's Current Utilization Statistics
Impact of the Proposal on the Interests of Consumers of Health Care Services and
Payers for Such Services
Consideration of Other 19a-637, C.G.S. Principles and Guidelines**

8. The proposal has a total capital expenditure of \$5,000,488. *(May 12, 2006, CON application filing, pages 7 and 8)*
9. The Hospital will finance the replacement project through funded depreciation of \$4,000,390 and available operating funds \$1,000,098. *(May 12, 2006, CON application filing, pages 8 and 9)*
10. The proposal will have no financial impact on the Hospital in FY 2006. The incremental total facility revenue from operations, total operating expense and gain/(loss) from operations with the CON proposal for FY 2007 and 2008 are as follows. *(May 12, 2006, CON application filing, page 11 and Appendix V, pages 55 and 56)*

Table 1: Proposal's Incremental Financial Projections

Description	FY 2007	FY 2008
Revenue from Operations	\$ 0	\$0
Total Operating Expense	\$446,000	\$446,000
Loss from Operations	(\$446,000)	(\$446,000)

11. The incremental operating losses in FYs 2007 and 2008 are entirely attributable to non-cash depreciation expenses associated with the project. *(May 12, 2006, CON application filing, page 11 and Appendix V, pages 55 and 56)*
12. The Hospital projected overall facility revenue from operations, total operating expense and gain from operations with the project for FYs 2006 through 2008 are as follows: *(May 12, 2006, CON application filing, page 11 and Appendix V, pages 55 and 56)*

Table 2: Overall Hospital Financial Projections with the Project

Description	FY 2006	FY 2007	FY 2008
Revenue from Operations	\$861,899,000	\$922,965,000	\$979,395,000
Total Operating Expense	\$844,600,000	\$909,566,000	\$965,149,000
Operating Gain	\$17,299,000	\$13,399,000	\$14,246,000

13. There is no State Health Plan in existence at this time. *(May 12, 2006, CON application filing, page 4)*
14. The Hospital has adduced evidence that this proposal is consistent with its long-range plan. *(May 12, 2006, CON application filing, page 4)*

15. The Applicant has improved productivity and contained costs by participating in activities involving the applications of new technology, employing energy conservation measures for its facilities and utilizing group purchasing practices in its procurement of supplies and equipment. *(May 12, 2006, CON application filing, page 6)*
16. The proposal will not result in any change to the Hospital's teaching and research responsibilities. *(May 12, 2006, CON application filing, page 6)*
17. The proposal will not result in any change to the Hospital's current utilization statistics. *(May 12, 2006, CON application filing, page 4)*
18. The Hospital's current patient/physician mix is similar to that of other university, teaching hospitals. The proposal will not result in any change to this mix. *(May 12, 2006, CON application filing, page 7)*
19. The Hospital has sufficient technical, financial and managerial competence to provide efficient and adequate services to the public. *(May 12, 2006, CON application filing, page 5)*
20. The Hospital's rates are sufficient to cover the proposed capital expenditure and operating costs. *(May 12, 2006, CON application filing, page 11 and Appendix V, page 56)*

Rationale

Yale-New Haven Hospital ("Hospital") proposes to replace 837 existing patient beds at a total proposed capital expenditure of \$5,000,488. The project will replace patient beds that were predominately purchased in 1992 through 1993. The useful life of a hospital bed is approximately 12 years. The existing hospital beds have outlived their useful life and are frequently being serviced. Replacing the Hospital's existing patient beds with new, state-of-the-art beds will enhance patient care and eliminate the need to frequently take beds out of service for maintenance and repair. OHCA finds that implementing the replacement bed project will result in enhanced quality of patient care and improved efficiencies in operation.

The capital expenditure associated with the replacement project is \$5,000,488. The Hospital will finance the project through funded depreciation of \$4,000,390 and available operating funds of \$1,000,098. The Hospital projects incremental losses from operations of \$446,000 for FYs 2007 and 2008, which are entirely attributable to increased non-cash depreciation expense. Further, the Hospital projects overall facility gains from operations of approximately \$13,399,000 and \$14,246,000 for FYs 2007 and 2008, respectively. 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 Yale-New Haven Hospital to replace existing patient beds, at a total capital expenditure of \$5,000,488, is hereby GRANTED.

Order

Yale-New Haven Hospital ("Hospital") is hereby authorized to replace existing patient beds at total capital expenditure of \$5,000,488, subject to the following conditions:

1. This authorization shall expire on June 7, 2008. 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 \$5,000,488. In the event that the Hospital learns of potential cost increases or expects that the final project cost will exceed those approved, the Hospital shall file with OHCA a request for approval of the revised CON 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

June 7, 2006

Signed by Cristine A. Vogel
Commissioner

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