



## Office Of Health Care Access Certificate of Need Application

### Final Decision

**Applicant:** New Era Rehabilitation Center, Inc.

**Docket Number:** 06-30685-CON

**Project Title:** Establish a Methadone Maintenance, Ambulatory Detoxification, Intensive Outpatient Day-Evening Treatment Program in New Haven

**Statutory Reference:** Section 19a-638 of the Connecticut General Statutes

**Filing Date:** July 13, 2006

**Hearing Date:** August 24, 2006

**Intervenor:** South Central Rehabilitation Center, Inc.

**Presiding Officer:** Cristine A. Vogel

**Decision Date:** October 11, 2006

**Default Date:** October 11, 2006

**Staff Assigned:** Paolo Fiducia

**Project Description:** New Era Rehabilitation Center, Inc. (“Applicant”) proposes to establish a methadone maintenance, ambulatory detoxification, intensive outpatient day-evening treatment program located at 301 East Street, New Haven, Connecticut, at a total capital cost of \$87,700.

**Nature of Proceedings:** On July 13, 2006, the Office of Health Care Access (“OHCA”) received the Certificate of Need (“CON”) application from New Era Rehabilitation Center, Inc. (“Applicant”) seeking authorization to establish a methadone maintenance, ambulatory detoxification, intensive outpatient day-evening treatment

program located at 301 East Street, New Haven, Connecticut, at a total capital cost of \$87,700.

A notice to the public concerning OHCA's receipt of the Applicant's Letter of Intent to file its CON application was published in *The New Haven Register* on April 3, 2006, pursuant to Section 19a-638, C.G.S.

A public hearing regarding the CON application was held on August 24, 2006, pursuant to Section 19a-638, C.G.S. On July 26, 2006, the Applicant was notified of the date, time and place of the hearing. A notice to the public was published in *The New Haven Register* on July 30, 2006. Commissioner Cristine A. Vogel served as Presiding Officer for this case. 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 Section 19a-638, C.G.S.

By petition dated August 9, 2006, South Central Rehabilitation Center, Inc. requested Party status or Intervenor status regarding the CON application. The Presiding Officer denied the request of South Central Rehabilitation Center, Inc. for Party status and designated South Central Rehabilitation Center, Inc. as an Intervenor with limited rights of participation.

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 Applicant'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 Era Rehabilitation Center, Inc. ("Applicant or New Era") is a for profit facility that provides chemical maintenance treatment and ambulatory chemical detoxification treatment at 3851 Main Street, Bridgeport. (*February 1, 2006, Letter of Intent, page 7*)
2. The Applicant was approved on February 13, 2002 under Docket Number 01-546 to operate a methadone maintenance and ambulatory detoxification program in Bridgeport, Connecticut. (*August 18, 2006, Responses to the Interrogatories, page 3*)
3. The Applicant proposes to establish a methadone maintenance, ambulatory detoxification, intensive outpatient day-evening treatment program located at 301 East Street, New Haven, Connecticut. (*February 1, 2006, Letter of Intent, page 7*)
4. The Applicant stated that the proposal is an opioid treatment program which will involve chemical maintenance and ambulatory chemical detoxification treatment. It

would involve the use of Methadone and Counseling. (February 1, 2006, Letter of Intent, page 7)

5. The Applicant states that the primary service area towns for the proposed programs are New Haven, Orange, West Haven, East Haven, Woodbridge, and the secondary service area encompasses the towns of Milford, Ansonia, Derby, Shelton and Hamden. (April 17, 2006, Initial CON Submission, page 4)
6. The Applicant states that the population to be served includes individuals who are 18 years and older with a history of opioid dependence e.g. heroin and prescription drugs like vicodine, percocet, morphine, oxycontin, also pregnant women who are dependent on opioid. With the day/evening treatment program they will service individuals that are dependent on alcohol or dependent on cocaine, amphetamines and other drugs of abuse. (April 17, 2006, Initial CON Submission, page 4)
7. The Applicant's proposal is based on increasing access to treatment in New Haven for patients with opioid dependence. (April 17, 2006, Initial CON Submission, page 2)
8. The Applicant provided data from the Office of Applied Studies of Substance Abuse and Mental Health Administration ("SAMSHA") to determine the need for the proposal. The following shows how the need was derived in New Haven: (August 18, 2006, Responses to the Interrogatories, page 1)
  - Number of patients needing but not receiving treatment for illicit drug use = 79,000
  - Current population of Connecticut = 3,500,000
  - Percentage of population in Connecticut needing treatment for illicit drug use and not receiving it will be:  $79,000/3,500,000*100/1 = 2.257 = 2.3\%$
  - New Haven population as of 2005 is 124,512
  - Number of population that need treatment for illicit drug use in New Haven and are not receiving it is  $124,512*2.257\% = \mathbf{2,810}$
  
  - Number of patients needing but not receiving treatment for alcohol use = 212,000
  - Current population of Connecticut = 3,500,000
  - Percentage of population in Connecticut needing treatment for alcohol use and not receiving it will be:  $212,000/3,500,000*100/1 = 6.057 = 6.1\%$
  - New Haven population as of 2005 is 124,512
  - Number of population that need treatment for alcohol use in New Haven and are not receiving it is  $124,512*6.057\% = \mathbf{7,541}$
9. The Applicant provided data in the table below from the Department of Mental Health and Addiction Services ("DMHAS") showing the active substance abuse clients during July 1, 2004 – June 30, 2005 in New Haven: (August 18, 2006, Responses to the Interrogatories, Document D)

**Table 1: Active Substance Abuse clients in New Haven during July 1, 2004 – June 30, 2005**

<b>Drug</b>	<b>Active Clients</b>
Heroin	1093
Other Opiates and Synthetics	55
<b>Total</b>	<b>1148</b>

10. The Applicant provided the following table which shows the number of clinic visits and the number of admissions by patient town of origin in New Era in Bridgeport in 2005: *(July 13, 2006, Supplemental CON Material, page 1)*

**Table 2: Client visits and number of admissions by patient town of origin in New Era in Bridgeport in 2005**

<b>City</b>	<b>Client Visits</b>	<b>Number of Admissions</b>
Bridgeport	41,808	134
Danbury	7,488	24
Derby	9,360	30
<b>New Haven</b>	<b>9,360</b>	<b>24</b>
Waterbury	8,112	26
Thomaston	0	0
Stamford	0	0
Westport	312	1
Torrington	0	0
Sandy Hook	312	1
Hartford	312	1
Oakville, Kent, Woodbridge	1248	4
<b>Total</b>	<b>78,312</b>	<b>245</b>

11. The following table shows the capacity and slots available for each program in Bridgeport: *(August 18, 2006, Responses to the Interrogatories, page 3)*

**Table 3: Actual capacity and slots available at New Era Rehabilitation Center in Bridgeport**

<b>Type of Program</b>	<b>Capacity</b>	<b>Actual Number</b>	<b>Slots Available</b>
Methadone Maintenance	500	325	125
Ambulatory Detoxification	125	75	50

12. The Applicant stated that the average daily census for New Era in Bridgeport in 2005 was 308. *(July 13, 2006, Supplemental CON Material, page 5)*

13. The Applicant stated the following benefits of the proposed programs in New Haven:

- Alleviate waiting lists;
- Increase access to recovery;
- Improve physical and mental health to addicted individuals needing treatment;
- Decrease criminal activities in New Haven and its environments;
- Decrease HIV risk and Hepatitis B&C in drug users; and
- Increase employment among clients.

*(August 18, 2006, Applicant Prefile Testimony, page 4)*

14. The Applicant stated that the proposed programs in New Haven will improve the quality of care and increase accessibility to care for Opiod dependent patients, alcohol dependent individuals and other substance dependent individual's who utilize cocaine and methamphetamines. *(April 17, 2006, Initial CON Submission, page 5)*

15. The Applicant states that South Central Rehabilitation Center ("SCRC"), APT Foundation Orchard Hill, Legion Avenue Clinic, Multicultural Ambulatory Addiction Services ("CASA") and APT Foundation Women in Treatment are the existing providers of methadone maintenance, ambulatory detoxification and day-evening treatment programs in New Haven. *(August 18, 2006, Responses to the Interrogatories, page 4)*

16. The following table shows the capacity and actual population served, at each provider currently licensed and operating in New Haven:

**Table 4: Actual capacity and population served at each provider in New Haven**

Provider	Day/Evening Treatment	Ambulatory Detoxification	Methadone Maintenance Capacity	Methadone Maintenance Actual
SCRC*	150	289	200-500	Unknown
APT Foundation** Orchard Hill	N/A	N/A	460	435
Legion Avenue Clinic	N/A	N/A	410	475
CASA	40	Unknown	N/A	N/A
APT Foundation Women in Treatment	N/A	N/A	182	197
<b>Total capacity</b>	<b>190</b>	<b>289</b>	<b>1052-1552</b>	<b>1107</b>

\*Note: On March 30, 2005, OHCA determined that SCRC met the CON exemption requirements of Section 17a-678 of the Connecticut General Statutes under Report Number 04-30359-DTR. DMHAS stated that SCRS will provide care for 200 to 500 methadone maintenance clients, 150 persons requiring ambulatory detoxification and 150 persons in intensive outpatient substance abuse services.

\*\*Note: On November 16, 2004, OHCA determined that APT Foundation met the CON exemption requirements of Section 17a-678 of the Connecticut General Statutes under Report Number 04-30365-DTR. DMHAS states that APT Foundation will obtain a substance abuse treatment license for ambulatory chemical detoxification of persons with an opiate addiction.

17. The Applicant stated that this proposal will have no effect on patient volume or financial stability of the existing facilities due to the fact that the existing facilities are taking care of about 20% of the estimated population that are addicted to illicit drugs. The proposed facility in New Haven will only be able to care for a small group of people who need the services. *(April 17, 2006, Initial CON Submission, page 5)*
18. According to the Applicant the following table shows the existing current capacity and predicted number of clients needing treatment in New Haven:

**Table 6: Existing current capacity and predicted number of clients needing treatment in New Haven**

Service	Clients Served	Applicant predicted # of clients needing treatment	Applicant predicted # of clients needing treatment <i>18 years and older</i>	Applicant's proposed # of clients to be served	Unmet Need
Methadone Maintenance	1,552	2,810	2,369	500	<b>611</b>
Ambulatory Detoxification	289*	7,541	7,183	100	<b>6,794</b>

\*Note: 280 Ambulatory Detoxification slots were approved for SRSC in 2005.

19. The Applicant projected the following number of clients to be treated for each program for the first three years of operation as follows: *(August 18, 2006, Responses to Interrogatories, page 2)*

**Table 7: Projected number of clients to be treated for each program in New Haven**

Program Type	1 <sup>st</sup> Year	2 <sup>nd</sup> Year	3 <sup>rd</sup> Year
Methadone Maintenance	200	350	500
Ambulatory Detoxification	50	75	100
Day/Evening Treatment	240	300	360
<b>Total</b>	<b>490</b>	<b>725</b>	<b>960</b>

The Applicant based its volume projections on the number of patients (600 Methadone Maintenance and Ambulatory Detoxification) for drug use, which is 21% of all patients and 360 patients for alcohol which is 5% of those needing treatment and this will be done incrementally until the third year for the proposed program in New Haven. *(August 18, 2006, Responses to Interrogatories, page 2)*

Note: The data presented by the Applicant could not be verified by OHCA.

20. The Applicant testified that the projected units of service for each program in New Haven are based on actual volume from the Bridgeport location, which is the number of individuals they feel confident they can treat. *(August 24, 2006, Applicant Testimony at the Public Hearing)*
21. The Applicant indicates that the proposed New Haven programs will have a positive effect on the Bridgeport programs because patients coming from New Haven and surroundings especially those with transportation problems can be easily transferred to the New Haven location where they can be treated because of the nearness to their living place. *(July 13, 2006, Supplemental CON Material, page 5)*

22. SCRC testified to the following regarding the proposed project: *(August 24, 2006, Intervenor Testimony at the Public Hearing and August 22, 2006, Intervenor Prefile Testimony, pages 2,3,4)*
- SCRC and two other non-profit organizations, APT Foundation and CASA amply satisfy the present demand, as well the demand in the foreseeable future in the New Haven area, for methadone maintenance and ambulatory chemical detoxification programs;
  - New Era's presence on East Street in New Haven would threaten SCRC's financial viability by drawing clients that would likely go to SCRC;
  - New Era, as a for-profit service provider can not provide the quality and scope of services that a not-for-profit provider can provide; and
  - New Era can not provide the continuum of health care to clients that SCRC can provide.
23. SCRC did not provide any verifiable documentation for the above statements. *(September 7, 2006 Late Filing #1)*

**Financial Feasibility and Cost Effectiveness of the Proposal and its Impact on the Applicant'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 estimated total capital cost of the project is \$87,700. The capital costs are itemized as follows: *(April 17, Initial CON Submission, page 7)*
- \$45,500 for medical equipment;
  - \$12,200 for non-medical equipment; and
  - \$30,000 for construction/renovation.
25. The project will be financed through the Applicant's equity. *(April 17, Initial CON Submission, page 7)*
26. The Applicant projects incremental revenue from operations, total operating expense and losses/gains from operations associated with the CON proposal for Year 1, 2 and 3 as follows: *(April 17, 2006, Initial CON Submission, page 10)*

**Table 8: Incremental Financial Projections for Year 1, 2 and 3**

Description	YEAR 1	YEAR 2	YEAR 3
Incremental Revenue from Operations	\$863,200	\$1,510,600	\$2,158,000
Incremental Total Operating Expense	\$795,160	\$1,279,785	\$1,785,400
<b>Incremental (Loss)/Gain from Operations</b>	<b>\$68,040</b>	<b>\$230,815</b>	<b>\$372,600</b>

27. There is no State Health Plan in existence at this time. *(April 17, 2006, Initial CON Submission, page 2)*
28. The Applicant has adduced evidence that the proposal is consistent with its long-range plan. *(April 17, 2006, Initial CON Submission, page 2)*

29. The Applicant has improved productivity and contained costs by adding a new service. *(April 17, 2006, Initial CON Submission, page 5)*
30. The proposal will not result in any change to the Applicant's teaching and research responsibilities. *(April 17, 2006, Initial CON Submission, page 5)*
31. The Applicant's projected payer mix for the proposal is as follows: *(April 17, 2006, Initial CON Submission, page 9)*

**Table 9: Three-Year Projected Payer Mix with the CON Proposal**

<b>Payer Mix</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
Medicaid	60%	60%	60%
<b>Total Government</b>	<b>60%</b>	<b>60%</b>	<b>60%</b>
Commercial Insurers	10%	10%	10%
*Uninsured	30%	30%	30%
<b>Total Non-Government</b>	<b>70%</b>	<b>70%</b>	<b>70%</b>
<b>Total Payer Mix</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

\*Note: The Applicant testified that the 30% is for Self-Pay, people that are able to pay for their treatment.

32. The Applicant testified that uninsured patients are referred to a state funded program and advised to apply at the Department of Mental Health and Addiction Services for the SAGA, HUSKY programs. Once they are enrolled in a state program then they would go back to New Era to continue treatment. *(August 24, 2006, Applicant Testimony at the Public Hearing)*
33. The Applicant testified that stable patients who do not have the ability to pay are referred to other state funded providers like ATP Foundation and SCRC. *(August 24, 2006, Applicant Testimony at the Public Hearing)*
34. The Applicant stated that it does not receive any financial assistance or federal government funding. It receives payments for medical services rendered to patients on public assistance, private insurance or self pay. *(August 18, 2006, Response to the Opposition or Petitioner Claim of Negative Financial Viability, page 2)*
35. The proposal will not result in any change to the Applicant's patient/physician mix. *(April 17, 2006, Initial CON Submission, page 5)*
36. The Applicant possesses sufficient technical, financial and managerial competence and expertise to provide efficient and adequate service to the public. *(April 17, 2006, Initial CON Submission, page 4)*
37. The Applicant's rates are sufficient to cover the proposed capital and operating costs associated with the proposal. *(April 17, 2006, Initial CON Submission, page 7)*



## 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.

New Era Rehabilitation Center, Inc. (“Applicant or New Era”) is a for profit facility that provides chemical maintenance treatment and ambulatory chemical detoxification treatment at 3851 Main Street, Bridgeport. The Applicant currently operates a methadone maintenance and ambulatory detoxification program in Bridgeport. The Applicant proposes to establish a methadone maintenance, ambulatory detoxification, and an intensive outpatient day-evening treatment program located at 301 East Street, New Haven, Connecticut. The Applicant’s proposal models its existing facility and programs in Bridgeport, specifically in the population to be served and the projected utilization of the proposed programs at the New Haven facility.

The population to be served includes individuals who are 18 years and older with a history of heroin and prescription drug abuse, also pregnant women who are dependent on opioid. The Applicant’s proposal is based on increasing access to treatment in New Haven for patients with opioid dependence. The Applicant’s projected utilization of the New Haven programs is based on the current utilization and experience of the Bridgeport programs. The Applicant’s existing Bridgeport facility treated 325 patients for methadone maintenance and 75 patients for ambulatory detoxification for FY 2005. The Bridgeport facility had an average daily census of 308 patients in FY 2005.

The Applicant provided data on a national and state level documenting a methodology to evaluate unmet need, and current utilization data, respectively. According to the Office of Applied Studies of Substance Abuse and Mental Health Administration, in New Haven there are 2,810 patients that need treatment for illicit drug use and 7,541 patients that need treatment for alcohol use but are not receiving it. The Applicant proposes to treat 4-5% of the individuals estimated that need treatment. The Department of Mental Health and Addiction Services data showed that in New Haven between July 1, 2004 and June 30, 2005 there were 1,148 active substance abuse clients. More recent data was not provided to OHCA. The existing providers currently have the capacity to serve 1,552 methadone maintenance clients and 289 ambulatory detoxification clients in New Haven. Based on data received from DMHAS, OHCA finds that some existing providers of methadone maintenance are at or over capacity and data to support Ambulatory Detoxification and Day/Evening Treatment Program was not available. Based on the foregoing reasons, OHCA concludes that the CON proposal will improve both the quality and accessibility of opioid treatment services in the greater New Haven region.

The total capital cost for the CON proposal is \$87,700. The project will be financed through the Applicant’s equity. The Applicant projects an incremental gain from operations of \$68,040, \$230,815 and \$372,600 in Year 1, Year 2 and Year 3, respectively.

The Applicant refers uninsured patients to state funded programs initially for enrollment and subsequently they return to the Applicant to continue treatment. The Applicant refers stable patients who do not have the ability to pay to other state funded providers like APT Foundation and SCRC. Although this practice is not supported by OHCA, the Applicant did state that they do not have access to the grant funding as their for-profit status does not allow. The Applicant receives payments for medical services rendered to patients on public assistance, private insurance or self pay. OHCA can not draw any conclusions and is unable to evaluate the financial viability of the proposal.

Based upon the foregoing Findings and Rationale, the Certificate of Need application of New Era Rehabilitation Center, Inc., to establish a methadone maintenance, ambulatory detoxification, intensive outpatient day-evening treatment program in New Haven, at a total capital cost of \$87,700, is hereby GRANTED.

## Order

New Era Rehabilitation Center, Inc. (“Applicant”) is hereby authorized to establish a methadone maintenance, ambulatory detoxification, intensive outpatient day-evening treatment program in New Haven, at a total capital cost of \$87,700, subject to the following conditions:

1. This authorization shall expire on October 11, 2008. Should the Applicant’s proposal not be completed by that date, the Applicant must seek further approval from OHCA to complete the project beyond that date.
2. The Applicant shall not exceed the approved total capital cost of \$87,700. In the event that the Applicant learns of potential cost increases or expects that final project costs will exceed those approved, the Applicant shall file with OHCA a request for approval of the revised CON project budget.
3. The Applicants shall file with OHCA utilization statistics on a quarterly basis for three full years of operation, as specified in Attachment I. Each quarterly filing shall be submitted to OHCA by no later than one month following the end of each reporting period (e.g., January, April, July and October). The initial report shall list the date on which the proposal commenced operation. The quarterly reports shall include the following information:
  - a. Total number of patients treated for each program;
  - b. Total number of patients referred to State Funded Program by type of service;
  - c. Number of patients referred to each program by type of service;
  - d. Number of patients referred to state-funded programs that return to New Era in New Haven by type of service.

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

October 11, 2006

Signed by Cristine A. Vogel  
Commissioner

CAV: pf: