



Office of Health Care Access Certificate of Need Application

Final Decision

Hospital: Middlesex Hospital

Docket Number: 06-30686-CON

Project Title: Acquisition of a Replacement Simulator

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

Filing Date: April 10, 2006

Decision Date: May 2, 2006

Default Date: July 9, 2006

Staff: Jack A. Huber

Project Description: Middlesex Hospital proposes to purchase a replacement radiation oncology simulator, at an estimated total capital expenditure of \$1,370,000.

Nature of Proceedings: On April 10, 2006, the Office of Health Care Access (“OHCA”) received the Certificate of Need (“CON”) application of Middlesex Hospital (“Hospital”) seeking authorization to purchase a replacement radiation oncology simulator, at an estimated total capital expenditure of \$1,370,000. 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 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 *Middletown Press* on March 2, 2006. Pursuant to Public Act 05-75, three individuals or an individual representing an entity with five or more people had until May 1, 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 and 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 Impact on the Hospital's Current Utilization Statistics Contribution of the Proposal to the Accessibility and Quality of Health Care Delivery in the Region

1. Middlesex Hospital ("Hospital") is an acute care hospital located at 28 Crescent Street in Middletown, Connecticut. *(April 10, 2006, CON application, page 11 and Attachment H, page 141)*
2. The Hospital proposes to purchase a replacement simulation system in order to bring its radiation oncology treatment planning in line with the current standard of care for cancer services. The new simulator will become operational in mid-June 2006. *(April 10, 2006, CON application, pages 5 and 16)*
3. The Hospital based the need for the replacement project on the following: *(April 10, 2006, CON application, page 5)*
 - The current unit is approximately 10 years old and is nearing the end of its useful life;
 - Limitations in maintaining the existing unit - the Hospital has received vendor notification to expect increasing difficulties in procuring necessary parts to refurbishment units, as suppliers will no longer be manufacturing parts; and
 - Outdated technology associated with the existing unit.
4. The Hospital states that the proposed system will possess current computed tomography ("CT") simulation technology, which utilizes volumetric patient data and sophisticated computer software to simulate and verify radiation therapy treatment plans. After acquiring images and coordinating data from the proposed simulator, an oncologist can visualize a target volume in 3 dimensions, develop dose distribution, and transmit treatment planning data to the service's linear accelerator. *(April 10, 2006, CON application, page 6)*
5. The proposal is intended to serve residents from the communities that comprise the Hospital's primary service area ("PSA"). The Hospital states its PSA encompasses the following municipalities: Middletown, Middlefield, Cromwell, Durham, Haddam, Killingworth, Portland, East Hampton, East Haddam, Marlborough, Colchester, Chester, Deep River, Essex, Old Saybrook, Clinton, Westbrook, and Madison. *(April 10, 2006, CON application, page 6)*
6. The Hospital indicates that the service provides radiation oncology planning and treatment services to approximately 400 new patients each year. Those patients referred for radiation therapy treatment typically undergo on average 2 simulations as part of their treatment planning process. *(April 10, 2006, CON application, page 6)*
7. The Hospital states that the size and character of the cancer patient population it serves will not be affected by the proposed systems replacement. *(April 10, 2006, CON application, page 7)*

8. Actual simulations conducted for fiscal years (“FYs”) 2003 through 2005 are 811 , 842 and 832, respectively. *(April 10, 2006, CON application, page 6 and Attachment B, page 25)*
9. The Hospital projects 832 simulations to be conducted annually for fiscal years covering FYs 2007 through 2009, the first three full years after system replacement. *(April 10, 2006, CON application, page 7)*
10. The systems replacement will require preparation of existing space with associated upgrades to the electrical and heating, ventilation and air conditioning systems. The simulator unit and control room space affected by the proposed renovations approximate 560 gross square feet. *(April 10, 2006, CON application, page 15 and 16)*
11. The existing Ximatron simulator will be decommissioned and disposed upon installation of the new replacement system. *(April 10, 2006, CON application, page 5 and 6)*
12. The Hospital’s radiation oncology service has been in compliance with the standards of practice guidelines of the following entities and intends to maintain its compliance with such guidelines in the future: *(April 10, 2006, CON application, page 9)*
 - American College of Radiology ; and
 - Report of the Inter-Council for Radiation Oncology.

**Financial Feasibility 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**

13. The proposal’s total capital expenditure is \$1,370,000 and consists of \$1,120,000 in equipment acquisition costs and \$250,000 in renovation costs. *(April 10, 2006, CON application, page 15)*
14. The proposed project will be financed entirely through funded depreciation. *(April 10, 2006, CON application, page 17)*
15. The Hospital projects incremental loss from operations with implementation of the project of \$274,000 for each fiscal year covering the period FY 2007 through 2009. The projected incremental losses are due to non-cash depreciation associated with the acquisition of the replacement system. *(April 10, 2006, CON application, page 19 and Attachment L, page 186)*
16. The Hospital projects overall facility gain from operations with project implementation for FYs 2007 through 2009 of \$232,815,040, \$239,791,271, and \$246,976,789, respectively. *(April 10, 2006, CON application, page 19 and Attachment L, page 186)*

17. The Hospital's existing payer mix is not expected to change as a result of this project. The current and projected payer mix for the first three years of operation is as follows: *(April 10, 2006, CON application, page 18)*

Table 1: Three-Year Projected Payer Mix with the CON Proposal

Payer Mix	Current Payer Mix	Year 1	Year 2	Year 3
Medicare (Includes Managed Care Activity)	42.0%	42.0%	42.0%	42.0%
Medicaid (Included Other Medical Assistance)	9.5%	9.5%	9.5%	9.5%
TriCare (CHAMPUS)	0.2%	0.2%	0.2%	0.2%
Total Government	51.7%	51.7%	51.7%	51.7%
Commercial Insurers	43.8%	43.8%	43.8%	43.8%
Uninsured	2.4%	2.4%	2.4%	2.4%
Workers Compensation	2.1%	2.1%	2.1%	2.1%
Total Non-Government	48.3%	48.3%	48.3%	48.3%
Total Payer Mix	100.0%	100.0%	100.0%	100.0%

18. There is no State Health Plan in existence at this time. *(April 10, 2006, CON application, page 5)*
19. The Hospital has adduced evidence that this proposal is consistent with its long-range plan. *(April 10, 2006, CON application, page 5)*
20. The Hospital has improved productivity and contained costs by participating in activities involving the applications of new technology and employing group purchasing practices in its procurement of supplies and equipment *(April 10, 2006, CON application, page 12)*
21. This proposal will not result in changes to the Hospital's teaching and research responsibilities. *(April 10, 2006, CON application, page 13)*
22. The Applicant's current patient/physician mix is similar to that of other acute care hospitals. The proposal will not result in any change to this mix. *(April 10, 2006, CON application, page 13)*
23. The Hospital has sufficient technical and managerial competence to provide efficient and adequate services to the public. *(April 10, 2006, CON application, page 11 and Attachment E, pages 79 through 95)*
24. The Hospital's rates are sufficient to cover the proposed capital expenditure and operating costs. *(April 10, 2006, CON application, page 19 and Attachment M, page 188)*

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.

Middlesex Hospital (“Hospital”) proposes to purchase a replacement simulator system. The Hospital based the need for the proposal on the age of the current unit. The existing simulator is approximately 10 years old and is nearing the end of its useful life. The Hospital also identified increasing difficulties in maintaining the existing unit. The Hospital was recently informed by its vendor that procurement of replacement parts to refurbish the unit will only exist in the short-term, as such parts are no longer being manufactured. Further, the proposed system will possess computed tomography (“CT”) simulation technology, which will allow the oncologist to be better able to visualize a target volume in 3 dimensions, develop appropriate dose distribution, and transmit the necessary treatment plan data to the linear accelerator. The Hospital anticipates the replacement simulator system will be fully operational by mid-June 2006.

The Hospital indicates that the radiation oncology service provides planning and treatment services to approximately 400 new patients each year. Those patients referred for treatment typically undergo on average 2 simulations as part of their treatment planning process. The Hospital indicates that the size and character of the population it serves will not be affected by the proposed replacement. The Hospital projects 832 simulations to be conducted annually for the time period covering FYs 2007 through 2009. OHCA finds that the proposed acquisition will result in improved treatment planning for those served by the Hospital’s radiation oncology service.

The total capital cost for the proposal is \$1,370,000. The Hospital will finance the building project through available funded depreciation. The Hospital projects incremental loss from operations with implementation of the project of \$274,000 for each fiscal year covering the period FY 2007 through 2009. The projected incremental losses from operations are due to increased no-cost depreciation associated with the project. Further, the Hospital projects overall facility gain from operations with the implementation of the project for FYs 2007 through 2009 of \$232,815,040, \$239,791,271, and \$246,976,789, respectively. The proposal will assist the Hospital in remaining productive and efficient with regard to its radiation oncology service. Although OHCA can not draw any conclusions, the Hospital’s volume and 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 Middlesex Hospital to purchase a replacement its radiation oncology simulator, at a total capital expenditure of \$1,370,000, is hereby GRANTED.

ORDER

Middlesex Hospital is hereby authorized to purchase a replacement radiation oncology simulator, at a total capital expenditure of \$1,370,000, subject to the following conditions:

1. This authorization shall expire June 15, 2008. Should the Hospital's replacement project not be completed by that date, Hospital must seek further approval from OHCA to complete the project beyond that date.
2. Middlesex Hospital shall not exceed the approved capital expenditure of \$1,370,000. 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 project budget.
3. This authorization requires the removal of the Hospital's existing radiation oncology simulator for certain disposition, such as sale or salvage, outside of and unrelated to the Hospital's service provider locations. Furthermore, the Hospital will provide evidence to OHCA of the final disposition of the existing equipment, by no later than three months after the new simulator has become operational.

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

May 2, 2006

Signed by Cristine Vogel
Commissioner

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