



## Office of Health Care Access Certificate of Need Application

### Final Decision

**Applicant:** Manchester Memorial Hospital

**Docket Number:** 06-30708-CON

**Project Title:** Intensive Care Unit Replacement and  
Facilities Improvement Project

**Statutory Reference:** Section 19a-639 of the C.G.S.

**Filing Date:** October 13, 2006

**Decision Date:** November 7, 2006

**Default Date:** January 11, 2007

**Staff Assigned:** Jack A. Huber

**Project Description:** Manchester Memorial Hospital proposes to replace its intensive care unit and undertake other facility improvements, at an estimated total capital expenditure of \$9,574,381.

**Nature of Proceedings:** On October 13, 2006, the Office of Health Care Access (“OHCA”) received a Certificate of Need (“CON”) application from Manchester Memorial Hospital (“Hospital”) seeking authorization to replace its intensive care unit and undertake other facility improvements, at an estimated total capital expenditure of \$9,574,381. 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 *Journal Inquirer* of Manchester on March 17, 2006. Pursuant to Public Act 05-75, three individuals or an individual representing an entity with five or more people had until November 3, 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 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. Manchester Memorial Hospital ("Hospital"), an affiliate of the Eastern Connecticut Health Network, Inc. ("ECHN"), is an acute care hospital located at 71 Haynes Street in Manchester, Connecticut. *(July 7, 2006, Initial Certificate of Need ("CON") submission, page 3 and Attachment G, page 121)*
2. The Hospital is proposing to undertake a building project that will address intensive care service compliance regarding current industry standards and regulations. The project will involve renovations to the Hospital's thirty-eight year old, on-campus East Building. *(July 7, 2006, Initial CON submission, page 4)*
3. The proposal will accomplish the following: *(July 7, 2006, Initial CON submission, page 4)*
  - Replacement of the existing intensive care unit ("ICU"), currently provided predominantly in a semiprivate patient room configuration, to a new modernized unit arranged exclusively in a private patient room configuration;
  - Enhancement in the delivery of care by creating a separate unit of step-down/flex beds, which will provide care to patients whose condition is categorized as either:
    - lower in acuity than is need to be currently cared for in the Hospital's ICU; or
    - higher in acuity than can be currently cared for in the Hospital's Special Services Unit ("SSU"), which functions as the medical/surgical telemetry unit; and
  - Upgrades to the East Building infrastructure that address current mechanical and systems deficiencies.
4. The ICU and SSU were constructed in 1968 when care standards were quite different than the standards of today. The units are undersized and nonconforming with regard to the changing care environment needs, especially in connection with new technology and emerging patient environment standards. *(July 7, 2006, Initial CON submission, page 4 and Attachment A, page 22)*
5. The Hospital commissioned an assessment of its intensive care service facilities from an architectural consultant. The consultant's report, which utilized the Society of Critical Care Medicine's Guidelines for Intensive Care Unit Design, determined that

there were a number of significant facility deficiencies affecting the operational effectiveness of the Hospital's intensive care services. The deficiencies recognized were in the following general categories: unit configuration, infection control, safety and security, privacy, support services, treatment area and patient room size requirements. *(July 7, 2006, Initial CON submission, page 4)*

6. The Hospital will renovate existing space to accommodate the proposed ICU replacement and to create a new separate step-down/flex unit. The services, which are presently located on the first floor of the East Building, will be relocated to the third floor of the East Building. *(July 7, 2006, Initial CON submission, page 4)*
7. The following building systems upgrades will be addressed in the proposal: a new roofing system, replacement windows, electrical system, heating/ventilation and fire protection control improvements. *(July 7, 2006, Initial CON submission, page 4)*
8. The proposal will not affect the total number of staffed or licensed beds maintained by the Hospital. An itemization of the current and proposed number of staffed and licensed beds by service is presented in the following table: *(October 13, 2006, Completeness Response, page 3 and Manchester Memorial Hospital FY 2005, Annual Reporting & 12 Month Filing, Schedule 500)*

**Table 1: Current and Proposed Staffed & Licensed Beds by Service**

<b>General Med./Surg.</b>	<b>Current Staffed</b>	<b>Proposed Staffed</b>	<b>Current Licensed</b>	<b>Proposed Licensed</b>
Medical	37	37	64	64
Surgical	30	30	78	78
Intensive Care Unit	12	12	17	17
Special Care Unit	22	12	24	14
Step-Down Unit	0	10	0	10
<b>Specialty Services</b>				
Maternity	15	15	30	30
Psychiatric	35	35	36	36
<b>Total Bed Count</b>	<b>151</b>	<b>151</b>	<b>249</b>	<b>249</b>

9. The ICU currently consists of four (4) private patient rooms and one (1) semi-private patient room containing eight (8) beds. The special care unit, a 22 bed medical-surgery telemetry unit, currently consists of eleven (11) semi-private patient rooms. There is no existing step-down/flex unit. *(October 13, 2006, Completeness Response, page 8)*
10. Without the proposed step-down/flex unit, the following circumstances are occurring with greater frequency: *(October 13, 2006, Completeness Response, page 2)*
  - Increasing length of stays of ICU patients - Patients whose acuity needs exceed the level of care that can be provided in the special care unit are kept in the ICU, even though they no longer require an intensive level of care; and
  - As patients who no longer require intensive care remain in the ICU, the Hospital is unable to provide intensive care to other patients who require this level of care. The proposal will enable the Hospital to move eligible patients to the step-down/flex unit, thereby freeing ICU beds for emergent patients.

11. Upon completion of the project, ICU services will be offered in twelve (12) private patient rooms; step-down/flex services will be offered in ten (10) private patient rooms; and special care services will be offered in 10 private patient rooms and 2 semi-private patient rooms. The proposal reflects a reallocation of ten (10) special care services beds for the creation of the step-down/flex unit. (*October 13, 2006, Completeness Response, page 8*)
12. The Hospital states its service area is comprised of the following nineteen towns: Andover, Ashford, Bolton, Columbia, Coventry, East Hartford, East Windsor, Ellington, Glastonbury, Hebron, Manchester, Mansfield, Somers, South Windsor, Stafford, Union, Tolland, Vernon and Willington. (*July 7, 2006, Initial CON submission, page 6*)
13. The actual ICU utilization for the period covering fiscal years (“FYs”), 2004 through 2006, is as follows: (*July 7, 2006, Initial CON submission, page 6 and October 13, 2006, Completeness Response, page 6*)

**Table 2: Actual ICU Utilization\***

<b>Fiscal Year</b>	<b>2004</b>	<b>2005</b>	<b>2006*</b>
# Admissions	643	654	676
# Patient Days	1,911	1,889	2,065

Note: \* Data Source: Acute Care Hospital Inpatient Discharge Database

\*\* Data was annualized using the period of June through September averages for FYs 2004 & 2005 plus October through May 2006 actual ICU information.

14. The Hospital’s ICU utilization projections are presented in the following table for FYs 2007 through 2009\*. (*July 7, 2006, Initial CON submission, page 6 and October 13, 2006, Completeness Response, page 6*)

**Table 3: Projected ICU Utilization\*\***

<b>Fiscal Year</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
# Admissions	691	707	724
# Patient Days	2,127	2,200	2,285

Notes: \*The projections cannot be verified by OHCA.

\*\*The Hospital’s growth projections in admissions (approximately 2.5% per year) and patient days (approximately 3.9% per year) are based on a growth rates consistent with the average annual growth observed between FYs 2004 though 2006.

15. The Hospital’s step-down/flex unit projections are presented in the following table for FYs 2008 and 2009\*. Based on the anticipated building schedule, the proposed step-down/flex unit will not commence operation until FY 2008. (*July 7, 2006, Initial CON submission, page 6 and October 13, 2006, Completeness Response, page 6*)

**Table 4: Projected Step-Down Utilization\*\***

<b>Fiscal Year</b>	<b>2008</b>	<b>2009</b>
# Admissions	691	724
# Patient Days	2,127	2,285

Notes: \*The projections cannot be verified by OHCA.

\*\*The Hospital’s growth rate projections in discharges and patient days are based on a growth consistent with the average annual growth observed for each statistic between FYs 2004 though 2006.

16. The Hospital has recently recruited two new surgeons who have joined the ECHN medical staff. The Hospital anticipates that demand for ICU care will increase as their vascular and thoracic surgical volumes grow. *(October 13, 2006, Completeness Response, page 4)*
17. The project involves the renovation of approximately 17,500 square feet (“SF”) of existing space. The new unit’s design will follow the dictates of the American Institute of Architectural guidelines for intensive care units. *(July 7, 2006, Initial CON submission, page 13)*
18. The project will be accomplished in two (2) phases, described as follows: *(July 7, 2006, Initial CON submission, page 13)*
- Phase 1 – Renovation to the third floor, East Building will allow for the accommodation of twelve (12) private intensive care unit beds. The ICU will have four (4) negative pressure isolation rooms to treat patients requiring this type of treatment and accommodation. One patient room will be designed specifically for the bariatric patient population. The new design plan allow for future changes in clinical practice and the introduction of new or additional equipment.
  - Phase 2 – Renovations to the existing third floor that will allow for the accommodation of ten (10) step-down/flex beds and a centralized nurse’s station. PACS reading rooms will also be built to facilitate the consultation of specialists with radiologists without the specialists needing to leave the unit.
19. The schedule for the project is as follows: *(July 7, 2006, Initial CON submission, page 16)*

**Table 5: Project Schedule**

<b>Descriptions:</b>	<b>Phase 1</b>	<b>Phase 2</b>
Renovation Commencement	December 2006	January 2008
Renovation Completion	September 2007	July 2008
Operations Commencement	October 2007	October 2008

20. The building work will be coordinated in a manner that will allow the Hospital to provide its health services in an uninterrupted fashion. *(July 7, 2006, Initial CON submission, page 15)*

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

21. The project's total capital expenditure is \$9,574,381, plus \$1,423,502 in capital financing costs, for a total project cost of 10,997,883. An itemization of the project's expenditures is provided in the following table: *(July 7, 2006, Initial CON submission, page 12)*

**Table 6: Capital Expenditure Itemization**

Description	Component Cost
Major Medical Equipment Purchases	\$916,350
Non-Medical Equipment Purchases	\$663,165
Building Work	\$7,688,166
Total Contingency	\$306,700
<b>Total Capital Expenditure</b>	<b>\$9,574,381</b>

22. An itemization of the proposed building costs by renovation phase is presented in the following table: *(July 7, 2006, Initial CON submission, page 15)*

**Table 7: Building Cost Itemization**

Description:	Phase 1 Renovation	Phase 2 Renovation	Total Cost
Building Work Costs (+ Inflation)	\$4,863,000	\$1,866,425	\$6,729,425
Site Work Costs	\$142,057	\$60,881	\$202,938
Total Architect & Engineering Costs	\$524,670	\$231,133	\$755,803
<b>Total Building Work Cost</b>	<b>\$5,744,417</b>	<b>\$2,250,449</b>	<b>\$7,688,166</b>

23. The Hospital will finance the project entirely through Connecticut Health and Educational Facilities Authority ("CHEFA") bond financing. *(October 13, 2006, Hospital Completeness Response, page 17)*

24. The Hospital's projected incremental revenue from operations, operating expense, and gain/(loss) from operations associated with the proposal are presented in the following table: *(October 13, 2006, Hospital Completeness Response, page 18)*

**Table 8: Financial Projections Incremental to the Proposal**

Description: Fiscal Year	FY 2007	FY 2008	FY 2009
Incremental Revenue from Operations	\$0	\$0	\$0
Incremental Operating Expenses	\$281,809	\$846,102	\$1,048,800
<b>Incremental (Loss)/Gain from Operations</b>	<b>(\$281,809)</b>	<b>(\$846,102)</b>	<b>(\$1,048,800)</b>

25. The projected incremental losses from operations in FYs 2007 through FY 2009 are the result of increased depreciation expense and interest associated with the project. *(October 13, 2006, Hospital Completeness Response, page 18)*

26. The Hospital projects overall operating gains with the project ranging from \$160,110 to \$711,034 during the period covering FYs 2007 through 2009. (*October 13, 2006, Hospital Completeness Response, page 18*)
27. The current and projected payer mix percentages for the first three years of operating the modernized facility are presented in the following table: (*July 7, 2006, Initial CON submission, page 18*)

**Table 9: Current & Three-Year Projected Payer Mix**

<b>Description</b>	<b>Current</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
Medicare	61.0%	61.0%	61.0%	61.0%
Medicaid	8.0%	8.0%	8.0%	8.0%
<b>Total Government</b>	<b>69.0%</b>	<b>69.0%</b>	<b>69.0%</b>	<b>69.0%</b>
Commercial Insurers	24.0%	24.0%	24.0%	24.0%
Uninsured	7.0%	7.0%	7.0%	7.0%
<b>Total Non-Government</b>	<b>31.0%</b>	<b>31.0%</b>	<b>31.0%</b>	<b>31.0%</b>
<b>Total Payer Mix</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

28. There is no State Health Plan in existence at this time. (*July 7, 2006, Initial CON submission, page 4*)
29. The Hospital has adduced evidence that the proposal is consistent with the Hospital's Long Range Plan. (*July 7, 2006, Initial CON submission, page 4*)
30. The Hospital has improved productivity and contained costs by undertaking energy conservation measures regarding its facilities management; by participating in activities involving the application of new technologies; and by employing group purchasing practices in its procurement of supplies and equipment. (*July 7, 2006, Initial CON submission, page 10*)
31. The proposal will not result in any change to the Hospital's teaching and research responsibilities. (*July 7, 2006, Initial CON submission, page 11*)
32. The Hospital's patient/physician mix is similar to that of other acute care, community hospitals. The proposal will not result in any change to this mix. (*July 7, 2006, Initial CON submission, page 11*)
33. The Hospital possesses sufficient technical, financial and managerial competence and expertise to provide efficient and adequate service to the public. (*July 7, 2006, Initial CON submission, page 9 and Attachment D, pages 52 through 67*)
34. The Hospital's rates are sufficient to cover the proposed capital cost and operating expenses associated with the proposal. (*July 7, 2006, Initial CON submission, page 20 and October 13, 2006, Hospital Completeness Responses, Attachment C, pages 18 and 19*)

## **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.

Manchester Memorial Hospital (“Hospital”) is an acute care hospital located at 71 Haynes Street in Manchester, Connecticut. The Hospital proposes to undertake a facility renovation project that will enhance the delivery of care the Hospital provides by accomplishing the following: replace the Hospital’s outdated twelve (12) bed intensive care unit (“ICU”) by building a new twelve (12) bed ICU; reallocate 10 of the 22 existing special care service beds, therein, creating a new and separate step-down/flex unit; and undertake a number of infrastructural upgrades to the East Building that will address current deficiencies in the structure. The proposal will not affect the total number of licensed beds maintained by the Hospital.

The building project is necessary due to the relative age and condition of the structure which houses the intensive care services. The existing ICU was constructed in 1968 and is presently located on the first floor of the Hospital’s East Building. The project will relocate the unit to existing space on the East Building’s third floor. Due to the age of the facility, the ICU does not currently comply with a number of requirements that would allow it to be considered a state-of-the-art facility. The Hospital has deemed the ICU to be deficient in the following categories: infection control, safety and security, privacy, storage and room size requirements.

Through the proposed renovations the Hospital will be able to upgrade the infrastructure of its East Building as well as the ICU, thereby bringing the entire building into compliance with current industry standards. Systems upgrades to the East Building include building integrity, mechanical, utility and fire protection improvements. The project involves the renovation of approximately 17,500 square feet. The new unit’s design will follow the dictates of the American Institute of Architectural guidelines for intensive care units.

Upon completion of the project, ICU services will be offered in twelve (12) new private rooms; step-down/flex services will be offered in ten (10) new private rooms; and special care services will be offered in 10 private patient rooms and 2 semi-private patient rooms. The new design plan allows for the following: greater flexibility in the proper placement of Hospital patients receiving treatment within the intensive care service continuum; future changes in clinical practice; and allowance for the introduction of new or additional medical equipment. Building work will be coordinated in a manner that will allow the Hospital to provide its services in an uninterrupted fashion. Based on the above, OHCA finds that the Hospital has demonstrated that the replacement of the intensive care services facilities and modernization of the East Building infrastructure will improve the quality of the care provided by the Hospital.



The Hospital has projected a total capital expenditure of \$9,574,381 for the building project. The proposal is to be financed entirely through a Connecticut Health and Educational Facility Authority bond issuance. While the Hospital projects incremental losses from operations due to the project of approximately (\$281,809), (\$846,102) and (\$1,048,800) for FYs 2007 through 2009, respectively, the overall financial condition of the Hospital is expected to be positive during this time period. The proposal's incremental operating losses are primarily due to increased non-cash depreciation expense and interest expenses attributable to the project. Although OHCA can not draw any conclusions, the Hospital's financial projections appear to be reasonable. Therefore, OHCA finds that the CON proposal financially feasible and cost effective.

Based on the foregoing Findings and Rationale, the Certificate of Need application of Manchester Memorial Hospital to replace its intensive care unit and undertake other facility improvements, at a total capital expenditure of \$9,574,381, is hereby GRANTED.

## **Order**

Manchester Memorial Hospital ("Hospital") is hereby authorized to replace its intensive care unit and undertake other facility improvements, at a total capital expenditure of \$9,574,381, subject to the following conditions:.

1. This authorization shall expire on October 31, 2009. Should the Hospital's 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 total capital project expenditure of \$9,574,381. 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 shall notify OHCA, in writing, of the completed project within 30 days of the completion date, but not later than November 30, 2009.

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

November 7, 2006

Signed by Cristine A. Vogel  
Commissioner

CAV:jah