

### STATE OF CONNECTICUT

#### DEPARTMENT OF PUBLIC HEALTH

December 21, 2009

#### IN THE MATTER OF:

An Application for a Certificate of Need filed pursuant to Section 19a-638, C.G.S. by:

Notice of Final Decision Office of Health Care Access Docket Number: 09-31320-CON

North Haven Pain Medicine Center, LLC Addition of Ear, Nose, and Throat Surgical Procedures

To: Steven Oster,
Administrator
North Haven Pain Medicine Center, LLC
52 Washington Street
Suite A
North Haven, CT 06473

Dear Mr. Oster:

This letter will serve as notice of the Final Decision of the Office of Health Care Access in the above matter, as provided by Section 19a-638, C.G.S. On December 21, 2009, the Final Decision was rendered as the finding and order of the Office of Health Care Access. A copy of the Final Decision is attached hereto for your information.

By Order of the Division of Office of Health Care Access Department of Public Health

Cristine A. Vogel

Deputy Commissioner

CAV: agf; cgc

Enclosure





#### Department of Public Health Office of Health Care Access Certificate of Need Application

#### **Final Decision**

Applicant: North Haven Pain Medicine Center, LLC

Docket Number: 09-31320-CON

Project Title: Addition of Ear, Nose, and Throat Surgical

**Procedures** 

Statutory Reference: Section 19a-638, Connecticut General Statutes

Filing Date: October 1, 2009

Hearing Date: November 13, 2009

Presiding Officer: Cristine A. Vogel, Deputy Commissioner

Intervenors: Yale-New Haven Hospital

Decision Date: December 21, 2009

Default Date: December 30, 2009

Staff: Carmen G. Cotto

Alexis G. Fedorjaczenko

**Project Description:** North Haven Pain Medicine Center, LLC ("NHPMC or Applicant") proposes to add to its services ear, nose, and throat surgical procedures. NHPMC is located at 52 Washington Avenue in North Haven. The proposed total capital expenditure is \$389,063.

Nature of Proceedings: On October 1, 2009, the Office of Health Care Access ("OHCA") received the completed Certificate of Need ("CON") application of North Haven Pain Medicine Center, LLC ("NHPMC or Applicant") to add to its services ear, nose, and throat surgical procedures. NHPMC is located at 52 Washington Avenue in

North Haven. The proposed total capital expenditure is \$389,063. The Applicant is a health care facility or institution as defined by Section 19a-630 of the Connecticut General Statutes ("C.G.S.").

On October 22, 2009, OHCA received a hearing request from Yale-New Haven Hospital. Pursuant to Section 19a-638, C.G.S., a public hearing regarding the CON application was held on November 13, 2009. On October 28, 2009 the Applicant was notified of the date, time, and place of the hearing. On October 30, 2009, a notice to the public announcing the hearing was published in the *New Haven Register*. Deputy Commissioner Cristine A. Vogel served as Presiding Officer. The 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-639, C.G.S.

By petition dated November 9, 2009, Yale-New Haven Hospital requested Party status or Intervenor status regarding the Applicant's CON application. The Presiding Officer designated Yale-New Haven Hospital as an Intervenor with full rights of participation.

The Presiding Officer heard testimony from the Applicant's witnesses and the Intervenors' witnesses in rendering this decision and considered the entire record of the proceeding.

OHCA's authority to review and approve, modify or deny this proposal 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 on the Applicant's Current Utilization Statistics Contribution of the Proposal to the Accessibility and Quality of Health Care Delivery in the Region

- 1. It is found that North Haven Pain Medicine Center, LLC ("NHPMC or Applicant") is a for-profit limited liability company, located at 52 Washington Street in North Haven, whose current members include Comprehensive Pain and Headache Treatment Centers, LLC ("CPHTC") and Titan Health Corporation ("Titan"). (May 26, 2009, Initial CON Application, page 2)
- 2. It is found that on January 4, 2005, NHPMC received authorization from the Office of Health Care Access ("OHCA") to establish and operate a single specialty ambulatory surgery center with one operating room and one procedure room. (January 4, 2005, Final Decision under CON Docket Number 05-30492)
- 3. It is found that NHPMC currently operates a freestanding, single specialty ambulatory surgery center dedicated exclusively to interventional pain management and is licensed as an Outpatient Surgical Facility with the State of Connecticut Department of Public Health ("DPH"). (May 26, 2009, Initial CON Application, pages 2 and 392)

- 4. The Applicant contends that CPHTC is wholly owned by Dr. Mark Thimineur and has established practices located at:
  - 130 Division Street, Derby, 06418
  - 816 Broad Street, Meriden, 06451 (May 26, 2009, Initial CON Application page 5)
- 5. The Applicant contends that Titan is a company, located in Sacramento, California, that partners with physicians and hospitals to create multi-specialty ambulatory centers. David Hall, Chairman of Titan testified that as a company Titan operates centers throughout the country and about half of them are very narrowly focused on either single specialty or one or two specialties. (November 13, 2009, Public Hearing Testimony of David Hall, Chairman of Titan Health Corporation, and Titan's Website: www.titanhealth.com)
- 6. NHPMC proposes to add ear, nose, and throat procedures as an authorized service at NHPMC by selling a 20% interest in NHPMC to Drs. Hecht and Astrachan, the principals of Ear, Nose, and Throat Specialists of Connecticut, PC ("ENT Specialists"). (May 26, 2009, Initial CON Application, pages 2 & 4)
- 7. OHCA finds that the selling of 20% interest in NHPMC to the ENT Specialists is not considered a change in ownership according to Section 19a-638 of the Connecticut General Statutes.
- 8. The Applicant contends that ENT Specialists is a private physician practice of otolaryngologists, with Drs. Craig Hecht and Dr. David Astrachan as the principals and Dr. Howard Stupak as a part-time physician in the group. The physicians are trained in the medical and surgical management and treatment of patients with diseases and disorders of the ear, nose, and throat, as well as related structures of the head and neck. (May 26, 2009, Initial CON Application, pages 2-3)
- 9. With the proposal, NHPMC will change the facility name from North Haven Pain Medicine Center, LLC to North Haven Surgery Center, LLC. (May 26, 2009, Initial CON Application, page 28)
- 10. The Applicant contends that the proposal will have no impact on NHPMC's licensure, except that NHPMC will update the current license to reflect the new name of the entity, North Haven Surgery Center. (May 26, 2009, Initial CON Application, page 38 and July 30, 2009, Completeness Response, page 394)
- 11. The Applicant contends that the ENT Specialists have a private practice that has been in existence for 17 years with a main office in Hamden and satellite offices in Madison and Milford, located at:
  - 2200 Whitney Avenue, Hamden, 06510
  - 141 Durham Road, Madison, 06443
  - 40 Commerce Park, Milford, 06460 (May 26, 2009, Initial CON Submission page 5)
- 12. The Applicant contends that ENT Specialists needs a locally accessible venue for surgeries, particularly as demand for ENT ambulatory procedures is expected to increase. The Applicant cited a 2003 article in the *Annuals of Surgery* which projected

- that a 14.5% growth in ENT procedures between 2010 and 2020 may be expected. (May 26, 2009, Initial CON Application, page 9 and Exhibit 3)
- 13. David Hall testified that the need to provide the types of high quality, more efficient and lower cost alternatives for outpatient procedures than freestanding centers like NHPMC provide is critical to the health care delivery system. As part of his pre-file testimony, Mr. Hall provided a report from the Medicare Payment Advisory Council (MedPAC) to support this statement. The report states the following:
  - "ASCs offer several advantages to physicians and patients over their closest competitor-HOPDs [Hospital Outpatient Departments]. ASCs may offer patients lower coinsurance, more convenient locations, the ability to schedule surgery more quickly, and shorter waiting times than HOPDs. Physicians may be able to perform more surgeries per day in ASCs because they have greater control over their schedules, and because they often have customized surgical environments and specialized staffing. In addition, Medicare spending per service is lower in ASCs than in HOPDs."

    (November 13, 2009, Pre-file Testimony of David Hall, Chairman of Titan, pages 2-3, and Exhibit A, page 81)
- 14. The Applicant contends that there are four existing providers near the ENT Specialists' practice locations: Yale-New Haven Hospital, Hospital of Saint Raphael, Temple Surgical Center, in New Haven, and Shoreline Surgical Center in Guilford. (May 26, 2009, Initial CON Application page 8)
- 15. The Applicant contends that the ENT Specialists once performed surgeries at the Hamden Surgery Center, in Hamden, but that the facility is no longer an option for care due to a CON-authorized termination of services. (May 26, 2009, Initial CON Submission page 9)
- 16. Dr. Astrachan testified that at the Hamden Center, they were able to easily schedule surgeries, devote the resources to the needs of their patients and practice high-quality service. They were able to satisfy their "Rule of 3" which consist of having:
  - Anesthesiologists familiar with ENT procedures;
  - Nursing and supporting staff familiar with ENT procedures; and
  - Access to the necessary equipment and materials to perform their surgeries. (November 13, 2009, Pre-file Testimony of Dr. David Astrachan, ENT Specialists, pages 3-5)
- 17. The Applicant provided data demonstrating historical volumes at the Hamden Surgery Center and the three hospital-based surgical centers at which they currently utilize OR block time. The Applicant projected an annual growth rate of 3% for the first three years of the proposal but indicated that use of the hospital locations is projected to decrease with cases transferred to NHPMC.

On May 1, 2009, under OHCA Docket Number 08-31254-CON, the Hamden Surgery Center, 2080 Whitney Avenue, Hamden, received authorization from OHCA to terminate all surgical services.

Table 1: ENT Specialists' Historical & Projected Procedures

	Actual			Ann. W/Out Proposal	Ann. W/ Proposal	Projected	Projected	Projected
Location	2006	2007	2008	2009	2009	2010	2011	2012
NHPMC					120	840	1,200	1,440
Hamden Surgery Center	328	441	298	1	1	0	0	0
Hospital of Saint Raphael	1,256	1,394	1,155	1,302	1,202	689	401	238
Yale-New Haven Hospital	223	316	255	222	202	128	108	85
Milford Hospital	. 90	139	96	92	92	92	92	92
Total	1,897	2,290	1,804	1,617	1,617	1,749	1,801	1,855

Note: The Applicant's Fiscal Year is Jan 1 through Dec 31. For all venues except Hamden Surgery Center, 2009 volumes were pro-rated based on January 1 through June 30 actual volume. (May 26, 2009, Initial CON Application, page 9; July 30, 2009, Completeness Response, pages 394 & 402; October 1, 2009, Completeness Response, page 413; and October 15, 2009, Additional Information Received via e-mail)

- 18. The Applicant contends that the decrease in volume between 2006 and 2009 is attributable to a variety of factors, including:
  - In 2007, Drs. Hecht and Astrachan took approximately half of their vacation time and thus the volume was anomalously high;
  - In 2008, there was a period of time in which ENT Specialists lost volume due to nonparticipation in an insurance plan;
  - In 2008, two new pediatric ENT physicians established practices in North Haven and Madison;
  - In 2008 and 2009, the weakening economy and job losses have contributed to patients putting off elective surgeries; and
  - In 2008 and 2009, the practice saw an increase in longer and more complicated inpatient ENT cases.

(October 1, 2009, Completeness Response, page 412)

19. The Applicant contends that there will be no change in pain management volume related to the proposed addition of ENT surgical procedures at NHPMC. The projected case volumes for FYs 2010-2012 were calculated using 3% annual increase from the current volume.

Table 2: Historical & Projected Pain Management Case Volumes

	Actual			Projected		
	2007*	2008	2009**	2010	2011	2012
Cases	930	1,841	472	1,967	2,025	2,086
Average # of						
Average # of Procedures/Case	2.6	2.6	2.6	2.6	2.6	2.6
Procedures***	2,418	4,789	1,227	5,115	5,265	5,424

Note: Fiscal Year period is from January 1 through December 31.

<sup>\*</sup> NHPMC began operations on May 17, 2007.

<sup>\*\*</sup> FY 2009 data is actual for the period 1/1/09 to 3/31/09. The Applicant projected an annualized number of cases to be 1,909 and annualized number of procedures to be 4,964.

<sup>\*\*\*</sup> Estimated based on # cases times 2.6 procedures per case.

<sup>(</sup>May 26, 2009, Initial CON Application, pages 17-18 and 378 and July 30, 2009, Completeness Response, page 404)

- 20. OHCA finds that the volume projections provided by the Applicant appear to be reasonable and achievable.
- 21. The Applicant contends that the ENT Specialists will continue to perform certain procedures in a hospital setting, including the following:
  - Airway surgeries;
  - High-risk patients;
  - · Stereotactic radiosurgery;
  - Patients with moderately severe, severe, or life-threatening disorders;
  - Complex sinus patients;
  - Children under age 4;
  - Cases that require the assistance of an attending or resident physician;
  - Patient preference; and
  - Payer restrictions.

(July 30, 2009, Completeness Response, page 402)

- 22. The Applicant testified that with the proposal, they anticipate that they will continue performing ENT procedures at Yale-New Haven Hospital ("YNHH") for employees who have insurance plans that benefit them if they go to YNHH for their procedures and for young children and/or complicated procedures on children. (November 13, 2009, Testimony of Dr. David Astrachan, ENT Specialists)
- 23. Dr. Thimimeur testified that CPHCT physicians have been performing pain management procedures three days per week while attending to CPHTC office patients on the two other weekdays which creates the extra capacity that allows NHPMC to accommodate Dr. Hecht and Dr. Astrachan's surgical procedures. (November 9, 2009, Prefile Testimony of Dr. Mark Thimineur, Owner of CPHTC, page 3)
- 24. NHPMC contends that the upgrade of NHPMC's procedure room to an operating room will allow both ENT and pain specialists to perform cases simultaneously at NHPMC, in order to coordinate surgical schedules, maintain office schedules at various practice locations, and also maintain surgical block time at the local hospitals for both the ENT and CPHTC specialists. (July 30, 2009, Completeness Response, page 395 and 396)
- 25. The Applicant contends that all procedures currently performed in the procedure room at NHPMC can be transferred to an operating room, and that all procedure room equipment will be available for use in the new operating room. (July 30, 2009, Completeness Response, page 393)
- 26. The Applicant contends that ENT Specialists' use of the operating rooms at NHPMC will be phased in over the first two years of the proposal, with an increasing number of procedures and cases to be projected at NHPMC.

Table 3: Calculation of Projected ENT Surgical Volume at NHPMC

	2009*	2010	2011	2012
Number of Operating Room Days/ Month	4	7	8	8
Number of ENT Cases per Day	4	4	5	6
Number of Months	3	12	12	12
Total Projected ENT Cases**	48	336	480	576
Average Number of ENT Procedures Per Case	2.5	2.5	2.5	2.5
Total Projected ENT Procedures***	120	840	1,200	1,440

Note: The fiscal year is January 1 to December 31.

(May 26, 2009, Initial CON Application, page 18 and October 1, 2009, Completeness Response, pages 414-415)

- 27. OHCA finds that the Applicant demonstrated that utilization of an existing procedure room as an operating room is not adding capacity in the market place.
- 28. The Applicant testified that in addition to existing staff at NHPMC, the proposal has budgeted for .25 FTE for an additional pre-op PACU nurse; that the NHPMC currently has a working OR manager who is also well-versed in scrubbing in ENT procedures and who will be in the room for ENT procedures; and that staff are cross-trained so that pre-op and PACU staff can circulate in the room. (November 9, 2009, Testimony of Steven Oster, Administrator of NHPMC)

# 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

29. The proposal has a total capital expenditure of \$389,063, which includes expenses for medical equipment and renovations associated with converting the procedure room to an operating room.

**Table 4: Total Capital Expenditure** 

Item	Expenditure
Medical Equipment, purchased	\$301,162
Renovations to the procedure room	87,901
Total Capital Expenditure	\$389,063

(May 26, 2009, Initial CON Application, page 29)

- 30. The proposal will be financed with \$269,063 of the Applicant's operating funds and \$120,000 in equity to be received from Drs. Hecht and Astrachan. (May 26, 2009, Initial CON Application, page 33)
- 31. The Applicant projects gains from operations incremental to the project in the first four years of the proposal. Net patient revenue, operating expenses, and gains from operations are presented in the following table.

<sup>\*</sup>Assumes an operational date of October 1, 2009.

<sup>\*\*</sup>Calculation: (# of operating room days/month) x (# of ENT cases per day) x (# of months).

<sup>\*\*\*</sup>Calculation: (total projected ENT cases) x (average # of projected ENT procedures)

Table 5: Projected Incremental Revenues and Expenses

	2009	2010	2011	2012
Revenue from Operations	\$49,584	\$347,088	\$495,840	\$595,008
Operating Expenses	\$22,258	\$135,539	\$157,886	\$173,056
Gain from Operations	\$27,326	\$211,549	\$337,954	\$421,952

(May 26, 2009, Initial CON Application, page 378 and July 30, 2009, Completeness Response, page 411)

- 32. The Applicant contends that the bulk of the renovations will be performed over a long weekend to minimize the number of days that the procedure room will not be usable, and so that the delivery of patient care will not be significantly impacted. (May 26, 2009, Initial CON Application, page 32)
- 33. The Applicant contends that because the proposal involves an existing provider of outpatient surgical services with the capacity to accommodate additional volume, the proposal can address the ENT Specialists need for a freestanding surgery center without requiring a significant capital expenditure, and is therefore cost effective. (May 26, 2009, Initial CON Application, pages 10-11)
- 34. The Applicant contends that the ENT Specialists provide approximately six weeks of call coverage a year at the Hospital of Saint Raphael ENT Clinic, where they treat assigned patients of the Hospital of Saint Raphael at no cost to the patient. (May 26, 2009, Initial CON Application, page 380; July 30, 2009, Completeness Response, page 403; and November 13, 2009, Testimony of Dr. David Astrachan, ENT Specialists)
- 35. The Applicant contends that it is impossible to separate charity care and/or self-pay uninsured from other payers in the ENT Specialists data system, and is therefore difficult to provide projections based on the current payer mix. However, the Applicant provided the following estimated actual payer mix for the ENT Specialists, and projected payer mix for the facility. The Applicants stated that the lower projected Medicare and Worker's Compensation patient population mixes are due to the differences between the populations served by the two specialties. (May 26, 2009, Initial CON Application, page 380; July 30, 2009, Completeness Response, page 403; and November 13, 2009, Testimony of Dr. David Astrachan, ENT Specialists)

Table 6: Current and Projected Patient Population Mix

	Current	Projected	Projected	Projected	Projected
Payer Source	2008	2009	2010	2011	2012
Medicare	39.3%	38.8%	33.0%	33.5%	33.8%
Medicaid	3.1%	3.1%	6.2%	6.2%	6.2%
Champus and Tricare	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Total Government Payers</b>	42.4%	41.9%	39.2%	39.7%	40.0%
Commercial Insurers	46.3%	47.1%	51.1%	51.1%	51.1%
Uninsured	0.1%	0.1%	0.1%	0.1%	0.1%
Workers Compensation	11.2%	10.9%	9.6%	9.1%	8.8%
Total Non-government Payers	57.6%	58.1%	60.8%	60.3%	60.0%
Total Payer Mix	100%	100%	100%	100%	100%

(May 26, 2009, Initial CON Application, page 380 and July 30, 2009, Completeness Response, page 403)

- 36. The Applicant contends that when ENT Specialists have an uninsured patient in their practice that needs surgery, their policy is to do whatever they can to find the least expensive care, making calls to surgical facilities to find out rates. Prior to its closure, the Applicant testified that the Hamden Surgery center was the least expensive as they would give uninsured patients a "cosmetic rate," and that currently they refer the majority to the Hospital of Saint Raphael since they have a good negotiating relationship with the facility. With the proposal, the Applicant contends that they will refer these patients to their center. (November 13, 2009, Testimony of Dr. David Astrachan, ENT Specialists)
- 37. The Applicant contends that NHPMC became a Medicaid provider in January 2009, with the approval being retroactive to June 2, 2008, as the facility was subject to a waiting period of approximately six months after submitting its enrollment application. (July 30, 2009, Completeness Response, page 415-416)
- 38. The Applicant will bill for the facility fee and the individual physicians will continue to bill for the professional services rendered. (May 26, 2009, Initial CON Application, page 32)
- 39. The Applicant contends that patients and their payers will be billed the same amount for procedure room services, independent of whether they are performed in a procedure room or an operating room. (July 30, 2009, Completeness Response, pages 393 & 401)
- 40. It is found that the Applicant's proposed average rate of \$3,367 for ENT cases is sufficient to cover the anticipated capital expenditure and operating costs associated with the proposal. (July 30, 2009, Completeness Response, page 406-409)
- 41. It is found that the physicians associated with this proposal are all board certified in their specialty, the staff from Titan have experience in managing healthcare organizations, and the Applicants have sufficient technical and managerial competence to provide efficient and adequate service to the public. (May 26, 2009, Initial CON Application, page 25 and Exhibit 6)
- 42. The Applicant contends that it has contained costs by participating in Provation, a group purchasing program for supplies, pharmaceuticals, and equipment, and that it has recently revised its pharmacy formulary for additional savings. (May 26, 2009, Initial CON Application, page 38)

#### 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.

North Haven Pain Medicine Center, LLC ("NHPMC") is a for-profit limited liability company, located at 52 Washington Street in North Haven. At this location, NHPMC operates a freestanding, single specialty ambulatory surgery center dedicated exclusively to interventional pain management. NHPMC proposes to add ear, nose, and throat procedures as an authorized service at NHPMC by selling a 20% interest in NHPMC to Drs. Hecht and Astrachan, the principals of Ear, Nose, and Throat Specialists of Connecticut, PC ("ENT Specialists"). OHCA finds that the selling of 20% interest in NHPMC to the ENT Specialists is not considered a change in ownership according to Section 19a-638 of the Connecticut General Statutes.

The Applicant contends that ENT Specialists have been practicing for seventeen years in offices located in Hamden, Madison, and Milford. An existing patient base was demonstrated and a growth rate of 3% was used in their projections of ENT procedures and that there will be no change in pain management case volume related to the proposed addition of ENT surgical procedures at NHPMC. OHCA finds that the additional service of ENT procedures projected by the Applicant appear to be reasonable and achievable.

The Applicant will upgrade its procedure room into an operating room to allow both ENT and pain specialists to perform cases simultaneously at NHPMC. OHCA finds that the Applicant demonstrated that the utilization of the procedure room as an operating room is not introducing additional capacity. In fact, the Applicant contends that this proposal is an effective use of existing capacity and that consumers will benefit from a more efficient and lower cost option. The Applicant testified that they would refer patients covered by Medicaid and those without insurance to the Center. OHCA finds that the proposed rate of \$3,367 for ENT cases is sufficient to cover the anticipated capital expenditure and operating cost associated with the proposal. Therefore, OHCA concludes that the proposal is financially feasible.

#### Order

The proposal of North Haven Pain Medicine Center, LLC to add to its services ear, nose, and throat surgical procedures. NHPMC is located at 52 Washington Avenue in North Haven. The proposed total capital expenditure is \$389,063 is hereby GRANTED.

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

Department of Public Health

Date

Cristine A. Vogel

Deputy Commissioner

CAV: agf;cgc