STATE OF CONNECTICUT

DEPARTMENT OF PUBLIC HEALTH

Office of Health Care Access

July 13, 2010

IN THE MATTER OF:

An Application for a Certificate of Need filed pursuant to Section 19a-639, C.G.S. by:	Notice of Final Decision Office of Health Care Access Docket Number: 09-31492-CON
Norwalk Hospital	**Master Facility Plan – Ambulatory Pavillion**

To: Lisa M. Brady
Vice President of Planning & Business Development
Norwalk Hospital
34 Maple Street
Norwalk, CT 06856

Dear Ms. Brady:

In accordance with the Connecticut General Statutes Section 4-179, the Proposed Final Decision dated June 21, 2010 by Hearing Officer Melanie A. Dillon is hereby adopted as the final decision of the Deputy Commissioner of the Office of Health Care Access, Department of Public Health in this matter. A copy of the Proposed Final Decision is attached hereto and incorporated herein.

Sincerely,

Cristine A. Vogel
Deputy Commissioner

CAV:rac

cc: Melanie A. Dillon, Hearing Officer, OHCA/DPH
Michael E. Kozlik, Brown Rudnick LLP

STATE OF CONNECTICUT

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Norwalk Hospital	**Master Facility Plan – Ambulatory Pavillion**

To: Lisa M. Brady
Vice President of Planning & Business Development
Norwalk Hospital
34 Maple Street
Norwalk, CT 06856

Dear Ms. Brady:

Enclosed please find a copy of the Proposed Final Decision rendered in the above-referenced matter.

Pursuant to Connecticut General Statutes Section 4-179, each party adversely affected may file exceptions and present briefs with the Deputy Commissioner of Office of Health Care Access, Department of Public Health within fourteen (14) days from the date of this notice. Any request for oral argument must be received in writing by July 6, 2010. If no timely request is made, the Office of Health Care Access shall assume these rights to be waived and render a Final Decision in this matter.

Sincerely,

Melanie A. Dillon, Hearing Officer

MAD:rac

cc: Cristine A. Vogel, Deputy Commissioner, DPH
Michael E. Kozlik, Brown Rudnick LLP

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

Proposed Final Decision

Applicant:	**Norwalk Hospital**
Docket Number:	**09-31492-CON**
Project Title:	**Master Facility Plan – Ambulatory Pavilion**
Statutory Reference:	**Section 19a-639 of the Connecticut General Statutes**
Filing Date:	**March 11, 2010**
Hearing Date:	**May 12, 2010**
Decision Date:	**June 21, 2010**
Default Date:	**None**
Staff Assigned:	**Carmen G. Cotto** **Ronald A. Ciesones**

Project Description: Norwalk Hospital, located at 34 Maple Street in Norwalk, Connecticut proposes to undertake a master facility plan. The building project includes the following components: The construction of a new Ambulatory Pavilion which will contain an Ambulatory Surgery Center, Cancer Center, Digestive Disease Center and an expanded Emergency Department; the replacement of a Linear Accelerator and replacement of a Simulator with a CT simulator; and facility renovations. The project's total capital expenditure is $88,233,700.

Nature of Proceedings: On March 11, 2010, the Office of Health Care Access ("OHCA") received the Certificate of Need ("CON") application from Norwalk Hospital, ("Applicant") seeking authorization for its master facility plan as described above. The Applicant is a health care facility or institution as defined by Section 19a-630 of the Connecticut General Statutes ("C.G.S.").

A public hearing regarding the CON application was held on May 12, 2010. On April 19, 2010, the Applicant was notified of the date, time, and place of the hearing. On April 21, 2010, a notice to the public announcing the hearing was published in *The Hour*. Commissioner J. Robert Galvin designated Melanie Dillon, Staff Attorney as the hearing officer in this matter on April 8, 2010. 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.

The Hearing Officer heard testimony from the Applicant and in rendering this proposed final decision, considered the entire record of the proceeding. 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

1. It is found that Norwalk Hospital, ("Applicant" or "Hospital") is a general acute care hospital located at 34 Maple Street, Norwalk, Connecticut. *(February 4, 2010, Initial CON application, p. 1)*

2. The Applicant indicates that the proposed master facility plan is for the construction of a new Ambulatory Pavilion that will measure approximately 90,000 square feet ("SF"). There will also be 40,000 SF of renovated space to the Hospital's existing building. *(February, 4, 2010, Initial CON application, p. 39)*

3. The new Ambulatory Pavilion will tie into the five existing floors of the Hospital's Main Pavilion and contain the following:

   - Level 1
     A lobby and main entrance for the Ambulatory Pavilion including patient registration and Building Services which will total 4,496 SF.

   - Levels 2 and 4
     There will be no Level 2 or Level 4 in the Ambulatory Pavilion in order to match the floor numbering with the connecting levels in the Main Pavilion.

   - Level 3
     An expansion to the Emergency Department ("ED") which will total 19,532 SF, the consolidation of the Hospital's Cancer Services which will total 20,645 SF of new construction and 4,253 SF for Building Services.

- Level 5
  A new center for Digestive Disease Services totaling 8,699 SF of new space, an expanded Surgical Suite totaling 20,645 SF of new construction and 4,402 SF for Building Services.

- Roof
  The mechanical and electrical penthouse, relocated Helipad, and Building Services, totaling 8,613 SF.
  (February 4, 2010, Initial CON application, pp. 60-63)

4. The Applicant provided the following information regarding the square footage and location of the departments affected by the proposal:

Table 1: Departmental Changes with the proposal

Department	Current Square Footage	Proposed Square Footage	Current Location	Proposed Location
Lobby	-	2,496	Does not exist	Ambulatory Pavillion-1
Patient Registration	1,800	1,414	Main Pavilion-3	Ambulatory Pavillion-1
Surgery Department	23,760	40,350	Main Pavilion-5	Ambulatory Pavillion-5 & Main Pavilion-5
Emergency Department	18,600	36,200	Main Pavilion-3	Ambulatory Pavillion-3 & Main Pavilion-3
Cancer Center	19,700	27,500	Dana-1 & Bedford-1	Ambulatory Pavillion-3 & Main Pavilion-3
Digestive Diseases	11,305	13,725	Main Pavilion-3 & 5	Ambulatory Pavillion-5 & Main Pavilion-5
Hyperbaric Wound Care	1,718	1,750	Main Pavilion-3	Main Pavilion-3

(February 4, 2010, Initial CON application, p. 64)

5. The Applicant contends that renovations will be made to the Hospital's Main Pavilion to allow for the connection of the Main Pavilion with the Ambulatory Pavilion. The renovation to the Main Pavilion will be as follows:

   - Level 1 – Public areas and hallways
   - Level 3 – ED, Cancer Center, Hyperbaric Wound Care
   - Level 5 – Surgical Suite, Post-Anesthesia Care, and recovery GI rooms

   (*February 4, 2010, Initial CON application, p. 63*)

6. The Applicant provided a copy of the Hospital's long range plan developed by the Board of Trustee entitled "Vision 2015," which was approved on August 25, 2009 and includes the building of the Ambulatory Pavilion as a primary focus for the future. *(February 4, 2010, Initial CON application, p. 84, Exhibit 25)*

7. The Applicant also provided meeting minutes indicating that the Board of Trustees of the Hospital voted to proceed with the building of the Ambulatory Pavilion at its meeting held on October 27, 2009. *(February 4, 2010, Initial CON application, p. 84, Exhibit 13)*

8. The Applicant contends that all services included in the proposal are currently provided under the Hospital's existing license and that no new services are proposed. *(February 4, 2010, Initial CON application, p. 40)*

9. The Applicant claims that the construction of the new Ambulatory Pavilion will allow the Applicant to accommodate new technologies and future patient volume growth, affording patients better and more accessible health care. *(February 4, 2010, Initial CON application, p. 39)*

10. There are four clinical services involved in the proposed project: (1)Ambulatory Surgery; (2) Emergency Department; (3) Cancer Center; and (4) Digestive Diseases Center. *(February 4, 2010, Initial CON application, p. 41)*

11. The Hospital's current surgical program is located on the 5th floor of the Main Pavilion and consists of ten operating rooms ("ORs") and two procedure rooms, which are used for both inpatient (40% of cases) and outpatient (60% of cases) surgery. *(February 4, 2010, Initial CON application, p. 42)*

12. The Applicant contends that the proposal will result in the reconfiguration of the Hospital's Operating Suites, including renovation of four of the existing ORs, with shell space for two additional ORs for future needs. *(February 4, 2010, Initial CON application, p. 42)*

13. Two of the existing ORs in the Main Pavilion will be decommissioned and replaced with two new ORs in the new Ambulatory Pavilion. *(February 4, 2010, Initial CON application, pp. 42, 65)*

14. Two other ORs will be reconfigured as larger ORs which will be capable of accommodating all needed technologies. *(February 4, 2010, Initial CON application submission, pp. 42, 65)*

15. The remaining six ORs will not be replaced or reconfigured, will stay in the same location and will not be impacted by the proposal. *(February 4, 2010, Initial CON application, p. 40)*

16. The Hospital contends that over the last several years they have made significant investments in new technology for the surgical suite by purchasing minimally invasive surgical equipment including the daVinci robot. *(February 4, 2010, Initial CON application, p. 40)*

17. The Applicant contends that they did not increase the number of operating rooms because they felt the best use of space was to create larger ORs that could better accommodate new technologies while being more efficient. *(February 4, 2010, Initial CON application, pp. 65- 66)*

18. There will be a separate entrance through the Ambulatory Pavilion for outpatient surgery patients and inpatient and outpatient surgery patients will remain separate throughout the process. (*February 4, 2010, Initial CON application, p. 42*)

19. The proposed renovations to the surgery department will also include the following:
    - Renovation of Post Anesthesia Care Units ("PACUs") to improve privacy and accommodate new technology;
    - Expansion of number of pre and post operative rooms;
    - Expansion of the central sterile area to support the renovated ORs; and
    - Addition of private consultation rooms for physicians to meet with patients and their families.

    (February 4, 2010, Initial CON application, p. 42)

20. According to the Applicant, ambulatory surgery volume will return to FY 07 levels and remain flat during the project's development period (FY 11-13). After project completion, ambulatory surgery volumes are projected to increase by 2.5% in FY 14 and by 4% in the following two years.

Table 2: Current and Projected Ambulatory Surgery Volume

	Actual			CFY	Projected	Projected-During Project			Projected-After Project		
Center	FY 07	FY 08	FY 09	FY 10*	FY 10**	FY 11	FY 12	FY 13	FY 14	FY 15	FY 16
Amb. Surgery	7,478	7,953	7,192	3,510	7,020	7,419	7,429	7,439	7,625	7,930	8,245
% change	-	6.4%	-9.6%	-	-2.4%	5.7%	0.1%	0.1%	2.5%	4.0%	4.0%

FY is from Oct.1-Sept. 30
**Current Fiscal Year volume is for Q1 & Q2 FY 2010 (October 1, 2009 – March 31, 2010)*
**Volume has been *annualized – (actual volume for 6 months multiplied by 2)*
Projections are based on historical data, population, demographics and growth projections.
(March 11, 2010, CON Completeness Responses, p. 649, and May 19, 2010, Late File Exhibit 2, pp. 731-732)

21. The Applicant contends that the Hospital's ambulatory surgery volume grew steadily from FY 2005 to FY 2008, with a decline experienced in FY 2009 due in part to competition from more contemporary facilities such as physicians' offices and freestanding specialty centers. *(February 4, 2010, Initial CON application, p. 58)*

22. OHCA finds that the proposed renovations will allow the hospital to utilize modern technology, such as the daVinci robot, in the larger ORs. Overall, the renovations to the Ambulatory Surgery suite will improve patient flow as well as the quality of care provided to patients.

23. The Applicant also proposes to expand the Emergency Department to nearly twice its existing size within the new Ambulatory Pavilion adjacent to renovated space in the Main Pavilion. *(February 4, 2010, Initial CON application, pp. 40, 45)*

24. The current emergency department consists of 18,600 square feet and has 31 beds. The beds are allocated as follows: 15 general beds, 2 trauma beds, 8 urgent beds, and 6 psychiatric beds. The proposed ED will allow for 44 beds – 36 beds to meet the needs of urgent and non-urgent patients, 2 trauma beds and 6 psychiatric beds. *(February 4, 2010, Initial CON application, pp. 40, 45)*

25. The Applicant indicates that the most critical problems in the Hospital's ED are the lack of space and the lack of beds, coupled with increasing patient volume. *(February 4, 2010, Initial CON application, p. 43)*

26. In FY 2009, the Applicant's ED had over 49,000 visits in a space designed to accommodate 35,000 visits. *(February 4, 2010, Initial CON application, pp. 44, 61 and May 7, 2010 prefiled testimony of Dr. Michael Carius, Chairman of Norwalk Hospital Emergency Department)*

27. The Applicant testified that the proposed ED will be able to accommodate 60,000 visits per year when complete. *(May 12, 2010, Public Hearing Testimony of Dr. Michael Carius)*

28. The Applicant contends that with this proposal the additional space will allow for treatment of 44 patients in beds, the elimination of nine hallway stretchers currently in use and larger exam rooms that will accommodate family and support services. *(February 4, 2010, Initial CON application, pp 43,45)*

29. The Applicant claims that emergency services volumes will continue to reflect a rising trend from FY 11 forward. Volume increases are projected to be modest during the project's development period (1% range), but increase at a steady 3.3% rate during FY 14, FY 15 and FY 16.

Table 3: Current and Projected Emergency Services Volume

	Actual			CFY	Projected	Projected-During Project			Projected-After Project		
Center	FY 07	FY 08	FY 09	FY 10*	FY 10**	FY 11	FY 12	FY 13	FY 14	FY 15	FY 16
Emergency Services.	47,812	49,006	49,522	23,733	47,466	50,813	51,411	51,902	53,608	55,368	57,185
% change	-	2.5%	1.1%	-	-4.2%	7.1%	1.2%	1.0%	3.3%	3.3%	3.3%

FY is from Oct.1-Sept. 30
**Current Fiscal Year volume is for Q1 & Q2 FY 2010 (October 1, 2009 – March 31, 2010)*
**Volume has been *annualized – (actual volume for 6 months multiplied by 2)*
Projections are based on historical data, population, demographics and growth projections.
(March 11, 2010, CON Completeness Responses, p. 649, and May 19, 2010, Late File Exhibit 2, pp. 731-732)

30. OHCA finds that the proposed renovations to the Emergency Department will allow the Hospital to better accommodate its existing ED volume of approximately 50,000 visits per year.

31. OHCA further finds that the Hospital will be able to improve the quality and accessibility of care for emergency department patients by increasing the number of beds, enlarging the treatment rooms and eliminating the use of hallway stretchers.

32. The Hospital also proposes to locate its Cancer Center in the Ambulatory Pavilion. *(February 4, 2010, Initial CON application, p. 46)*

33. The Applicant indicates that the Hospital's current Cancer Center was established in 1993 and offers a complete continuum of cancer treatment services including surgery, medical oncology, radiation oncology, research and clinical trials, complementary and integrative medicine, palliative care and education and support groups. *(February 4, 2010, Initial CON application, p. 45)*

34. The Cancer Center is currently located in some of the oldest buildings on the Hospital campus and is experiencing space constraints. *(February 4, 2010, Initial CON application, p. 43)*

35. The Applicant claims that the medical oncology, radiation oncology as well as chemotherapy and infusion services offered are currently provided in various locations on the Hospital's campus and that the proposed project will allow these services to be offered at one site. (*February 4, 2010, Initial CON application, p 46)*

36. The Applicant indicates that the proposed Cancer Center will be centralized on level 3 of the Ambulatory Pavilion and will contain 2 Linear Accelerators ("Linac") and 1 CT Simulator ("equipment"). *(February 4, 2010, Initial CON application, p. 61)*

37. The Applicant further indicates that the proposal will create two new vaults of adequate size that will allow for the relocation of one existing Linac ("Linac I") and the replacement of one existing Linac that is 30 years old ("Linac II"), which has reached the end of its useful life and cannot be upgraded to current technology standards. *(February 4, 2010, Initial CON application, pp. 47, 72)*

38. The Applicant testified that Linac II is located in an undersized, undershielded vault that has prevented the Hospital from replacing this outdated equipment. Moreover, replacement parts do not exist for Linac II. (*May 12, 2010, Prefiled Testimony of Dr. Pradip Pathare, Chief, Radiation Oncology and Medical Director, Whittingham Cancer Center, p. 725*)

39. The new linear accelerator that will replace Linac II will be capable of providing image guided intensity modulated radiation therapy ("IGRT") and stereotactic radiosurgery ("SRS"). (*May 12, 2010, Prefiled Testimony of Dr. Pradip Pathare, p. 725*)

40. The proposal also includes the replacement of the Hospital's current Simulator with a CT Simulator, which will allow patients' treatment plans to be developed without testing in two separate locations. *(February 4, 2010, Initial CON application,, pp. 47, 72)*

41. The Applicant contends that the benefit of the new CT Simulator is that it will allow for 3-D images to be created, allowing for precise radiation treatments such as Intensity Modulated Radiation Therapy ("IMRT"). *(March 11, 2010, Completeness Responses, p. 655)*

42. Dr. Pathare asserts that CT simulation is the most accurate modality to localize, defined and reconstruct a patient's tumor in 3-dimensions. (*May 12, 2010, Prefiled Testimony of Dr. Pradip Pathare, p. 725*)

43. The following table shows current and projected radiation therapy volume:

Table 4: Current and Projected Radiation Therapy Volume

	Actual			CFY	Projected	Projected-During Project			Projected-After Project		
Center	FY 07	FY 08	FY 09	FY 10*	FY 10**	FY 11	FY 12	FY 13	FY 14	FY 15	FY 16
Radiation – OP	7,417	7,849	8,280	3,846	7,692	8,262	8,304	8,345	8,513	8,726	8,942
% change	-	5.8%	5.5%	-	-7.1%	7.4%	0.5%	0.5%	2.0%	2.5%	2.5%
Radiation – IP	258	331	307	100	200	307	307	307	307	307	307
% change	-	28.3%	-7.3%	-	-35.0%	54.5%	0.0%	0.0%	0.0%	0.0%	0.0%
Total – IP & OP	7,675	8,180	8,587	3,946	7,892	8,569	8,611	8,652	8,820	9,033	9,249

FY is from Oct.1-Sept. 30
**Current Fiscal Year volume is for Q1 & Q2 FY 2010 (October 1, 2009 – March 31, 2010)*
**Volume has been *annualized – (actual volume for 6 months multiplied by 2)*
Projections are based on historical data, population, demographics and growth projections.
(March 11, 2010, CON Completeness Responses, p. 649, and May 19, 2010, Late File Exhibit 2, pp. 731-732)

44. OHCA finds that the proposal will improve the quality and accessibility of care provided in the Hospital's Cancer Center by locating it in one location instead of in different buildings.

45. OHCA further finds that the replacement of a 30 year old Linac and replacement of a Simulator with a CT Simulator will further improve the quality of care provided.

46. The Applicant claims the Digestive Disease Program at Norwalk Hospital is one of the Hospital's signature programs: the Hospital has introduced and offers endoscopic ultrasound and cryotherapy, maintains the latest technology, and offers a fellowship program that enables the Hospital to maintain its clinical knowledge and training and employ new innovative techniques. *(February 4, 2010, Initial CON application, p. 48)*

47. The Applicant contends they continue to experience growth in the number of gastroenterology procedures performed and currently provides these services in two locations. The program currently has eight procedure rooms, which are used for inpatient and outpatient procedures and located on two floors of the hospital.*(February 4, 2010, Initial CON application, p. 48)*

48. The Applicant asserts there has been an overflow of patients resulting in digestive disease patients being redirected to different floors for procedures. *(February 4, 2010, Initial CON application, p. 48)*

49. The Applicant further asserts there is a current backlog of approximately three weeks for routine digestive disease procedures. *(February 4, 2010, Initial CON application, p. 48)*

50. The Applicant claims the proposed Digestive Disease Center in the Ambulatory Pavilion consisting of eight appropriately sized procedures rooms; increased pre-

and post-operative bays; and private patient consultation/support areas that will reduce current bottlenecks and accommodate projected program growth. *(February 4, 2010, Initial CON application, p. 48)*

51. The Applicant projects that outpatient digestive procedures will continue to rise throughout the project's development period. The following table shows current and projected volumes:

Table 5: Current and Projected Digestive Disease Volume

	Actual			CFY	Projected	Projected-During Project			Projected-After Project		
Center	FY 07	FY 08	FY 09	FY 10*	FY 10**	FY 11	FY 12	FY 13	FY 14	FY 15	FY 16
Digestive-OP	8,103	8,371	8,885	4,309	8,618	9,264	9,350	9,406	9,585	9,970	10,368
% change	-	3.3%	6.1%	-	-3.0%	7.5%	0.9%	0.6%	1.9%	4.0%	4.0%
Digestive-IP	624	693	756	326	652	756	756	756	756	756	756
% change	-	11.1%	9.1%	-	-13.7%	16.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total - IP & OP	8,727	9,064	9,641	4,635	9,270	10,020	10,106	10,162	10,341	10,726	11,124

FY is from Oct.1-Sept. 30
**Current Fiscal Year volume is for Q1 & Q2 FY 2010 (October 1, 2009 – March 31, 2010)*
**Volume has been *annualized – (actual volume for 6 months multiplied by 2)*
Projections are based on historical data, population, demographics and growth projections.
(March 11, 2010, CON Completeness Responses, p. 649, and May 19, 2010, Late File Exhibit 2, pp. 731-732)

52. OHCA finds that the Hospital has demonstrated consistent growth in its Digestive Disease program and that the proposed renovations will improve the quality and accessibility of care by locating the procedure rooms in the Ambulatory Pavilion as opposed to two separate floors of the hospital.

53. The Applicant contends that the project's capital cost is $88,233,700 and is itemized in the following table:

Table 6: Project Cost Itemization

Description	Cost
Medical and Imaging Equipment	$12,883,076
Non-Medical Equipment	$2,124,277
Construction/Renovation	$60,434,600
Other Non Construction including Contingency	$12,791,747
Total Project Costs	**$88,233,700**

(February 4, 2010, Initial CON application, p. 80)

54. The Applicant provided vendor quotes for the replacement Linac and the acquisition of the CT Simulator it plans to purchase for the proposed Cancer Center. The cost estimates are identified in the following table:

Table 7: Major Imaging Equipment Purchases

Description	Cost
Linear Accelerator - Replacement	$4,674,609
CT Simulator - Acquisition	$1,436,911
Total Equipment Costs	**$6,111,520**

(November 16, 2009, Letter of Intent, Attachment IV and March 11, 2010, CON Completeness Responses p. 660, Exhibit 26.)

55. The Applicant indicates that it will finance the proposed facilities development project though the following sources:
    a. Fundraising and donations;
    b. Operating funds; and
    c. A bond issuance of approximately $65,000,000 from the Connecticut Health and Educational Facilities Authority ("CHEFA").
    (February 4, 2010, CON application, p. 80 and May 12, 2010, Public Hearing Testimony, Patrick Minicus, Chief Financial Officer, Norwalk Hospital)

56. According to the Hospital's consultant, Ruotolo Associates Inc., the Hospital has the potential to raise between $30,000,000 and $50,000,000 in a fundraising campaign. *(February 4 , 2010, Initial CON application, Exhibit 20, page 623)*

57. The Applicant testified that $1,000,000 in donations have already been specifically earmarked for the Ambulatory Pavilion project. *(May 12, 2010, Public Hearing Testimony of Patrick Minicus)*

58. The Applicant testified that in the Hospital's two previous capital campaigns it was able to raise more donations than budgeted for and more than consultants thought was feasible. *(May, 12, 2010, Public Hearing Testimony of Patrick Minicus)*

59. The Applicant testified the Hospital receives approximately $6 million in routine donations per year often for specific projects throughout the Hospital. *(May 12, 2010, Public Hearing Testimony of Daniel J. DeBarba, Jr., President & Chief Executive Officer, Norwalk Hospital)*

60. The Applicant testified that if the Hospital's fundraising goals are not met, they will implement alternative funding sources including scaling back the Hospital's annual capital budget which is currently $18 - $20 million per year. *(May 12, 2010, Public Hearing Testimony of Patrick Minicus)*

61. The Applicant provided a letter of interest from CHEFA regarding the proposed financing. *(March 11, 2010, CON Completeness Responses, p. 65, Exhibit 27)*

62. Although the Hospital had initially contemplated one tax-exempt bond offering for the Ambulatory Pavilion and a new parking garage, the Applicant testified that the Hospital now intends to borrow the proceeds for the parking garage and

ambulatory pavilion in two separate transactions to minimize cash outlays and reduce risk.[1] *(May 12, 2010, Public Hearing Testimony of Patrick Minicus)*

63. The Applicant testified that in the late fall of 2011 or early 2012, it will obtain financing of approximately $65 million for the Ambulatory Pavilion through a 30 year tax-exempt bond offering from CHEFA. *(May 12, 2010, Public Hearing Testimony of Patrick Minicus)*

64. The Applicant contends that CHEFA and the Hospital's bond advisor, Shattuck and Hammond, expect that the Hospital would earn a minimum of a BBB credit rating from bond rating agencies and the expected long term bond yield for such facilities is currently between 5.8% and 6.2%. *(March 11, 2010, CON Completeness Responses, p. 657, Exhibit 27 and May 12, 2010, Public Hearing Testimony of Patrick Minicus)*

65. The amounts in the table below are operating gains without the project for FYs 2010 through 2014, when the project is expected to be completed and additional years as provided by the Hospital:

Table 8: Applicant's Gain from Operations without the Project (In Millions)

Description	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Operating Gain from Operations	$11,900	$11,873	$11,754	$11,554	$11,301

Description	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Operating Gain from Operations	$10,473	$9,526	$8,433	$7,198	$5,792

(February 4, 2010, Initial CON application, Exhibit 21, p. 625)

66. The Applicant's projected incremental revenue from operations, total operating expense and loss from operations associated with the implementation of the proposal is presented in the table below:

Table 9: The Hospital's Financial Projections Incremental to the Project

Description	FY 2011	FY 2012	FY 2013
Incremental Revenue from Operations	$0	$0	$0
Incremental Total Operating Expense	$41,000	$70,000	$1,201,000
Incremental Loss from Operations	**($41,000)**	**($70,000)**	**($1,201,000)**

Description	FY 2014	FY 2015	FY 2016
Incremental Revenue from Operations	$2,573,000	$6,606,000	$11,103,000
Incremental Total Operating Expense	$10,192,000	$12,022,000	$14,073,000
Incremental Loss from Operations	**($7,619,000)**	**($5,415,000)**	**($2,970,000)**

Description	FY 2017	FY 2018	FY 2019
Incremental Revenue from Operations	$16,158,000	$21,797,000	$28,110,000
Incremental Total Operating Expense	$16,376,000	$19,252,000	$22,173,000
Incremental Loss from Operations	**($218,000)**	**$2,545,000**	**$5,938,000**

(February 4, 2010, Initial CON application, Exhibit 21, pp. 625- 626)

[1] The parking garage is not part of this application as it is exempt from CON review under § 19a-639a (e). *See* CON Determination Report Number 09-31498. The garage will be financed through a 10 year bank qualified loan at the beginning of 2011.

67. The Applicant contends that the projected incremental losses from operations from FYs 2011 through 2019 are primarily due to an increase in interest expense/amortization and depreciation associated with the building project. *(February 4, 2010, Initial CON application, p. 83)*

68. The Applicant contends that the Hospital's projected overall gain from operations as the proposal is being implemented is shown in the table below:

Table 10: Hospital's Overall Gain from Operations with the Project (In Thousands)

Description	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Total Gain from Operations	$11,832	$11,684	$10,352	$3,682	$5,057

Description	FY 2016	FY 2017	FY 2018	FY 2019
Total Gain from Operations	$6,556	$8,214	$9,742	$11,730

(February 4, 2010, Initial CON application, Exhibit 21, pp. 625-626)

69. The Hospital's financial projections appear to be reasonable and will allow the Applicant to move forward with the proposed building project.

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.

Norwalk Hospital ("Applicant") is a general acute care hospital located at 34 Maple Street in Norwalk, Connecticut. The Applicant proposes to undertake a facility development project that includes the construction of a new Ambulatory Pavilion, which will contain an Ambulatory Surgery Center, Cancer Center, Digestive Disease Center and an expanded Emergency Department. The Applicant asserts that the proposal is designed to allow for new technologies and future growth in patient volumes, allowing patients to have better and more accessible health care.

The proposal will involve four clinical services: (1) Ambulatory Surgery; (2) Emergency Department; (2) Cancer Center; and (4) Digestive Disease Center. The proposed renovations to the ambulatory surgery department will expand and renovate 4 of the existing ORs to allow for utilization of modern technology such as the daVinci Robot. Patient care and privacy will be enhanced by renovating and expanding the PACUs and adding private consultation rooms for patients and their families. Similarly, the expansion of the Emergency Department will allow for the Hospital to improve the quality and accessibility of care to approximately 50,000 patients treated annually by increasing the number of beds and eliminating the use of hallway stretchers.

By locating its Cancer Center in one floor of the Ambulatory Pavilion as opposed to two different buildings, the Hospital alleviates the need for cancer patients to go to separate buildings on campus to receive their care. Patients will be able to conveniently access the Cancer Center through a separate entrance on Level 3 of the Ambulatory Pavilion. Additionally, the replacement of an obsolete Linac with a Linac capable of IGRT and SRS as well as the replacement of its simulator with a CT simulator will improve the quality of care to patients receiving treatment at the Hospital's Cancer Center. Finally, the Hospital will centrally locate its Digestive Disease Center on one floor of the Ambulatory Pavilion as opposed to two separate floors of the main hospital. Based upon the foregoing, OHCA concludes that the proposal will improve the quality and accessibility of health care delivery to the patients of Norwalk Hospital.

The total capital expenditure for the proposal is $88,233,700. The Applicant contends that the project will be financed through CHEFA financing, fundraising contributions and hospital equity contributions. The Hospital demonstrated that it will be able to obtain sufficient funds for a portion of the master facility plan through fundraising based upon its success in previous capital campaigns and a feasibility study. Moreover, the Hospital anticipates that it will be able to obtain a BBB rating from CHEFA and an interest rate in the range of 5.8 to 6.2%. CHEFA has provided a letter of interest for financing the project. In FY 2008 and FY 2009, the Hospital experienced overall operating gains in excess of

$6,000,000 and $13,000,000, respectively. (Source: Hospital Audited Financial Statements) Although the Hospital will initially experience some losses incremental to the project once construction begins, it will continue to experience overall operating gains through FY 2019. Based upon the foregoing, OHCA finds that the financial projections appear to reasonable and the project is financially feasible.

ORDER

Based upon the foregoing Findings and Rationale, the Certificate of Need application of Norwalk Hospital to construct an Ambulatory Pavilion at a total capital expenditure of $88,233,700 is hereby **granted.**

All of the foregoing constitutes the final order of the Office of Health Care Access in this matter.

Based upon the foregoing, I respectfully recommend that the Deputy Commissioner approve the application of Norwalk Hospital to construct an Ambulatory Pavilion at a total capital expenditure of $88,233,700.

6-21-10
Date

Melanie A. Dillon, Esq.
Hearing Officer