STATE OF CONNECTICUT

DEPARTMENT OF PUBLIC HEALTH

Office of Health Care Access

August 25, 2010

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: 10-31526-CON
Natchaug Hospital	**Establishment of a Partial Hospital Program and Intensive Outpatient Program for Children and Adolescents in Old Saybrook**

Stephen W. Larcen, Ph.D.
President and Chief Executive Officer
Natchaug Hospital
189 Storrs Road
Mansfield Center, CT 06250

Dear Dr. Larcen:

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 August 25, 2010, the Final Decision was rendered as the findings and order of the Office of Health Care Access. A copy of the Final Decision is attached hereto for your information.

Kimberly R. Martone
Director of Operations

Enclosure
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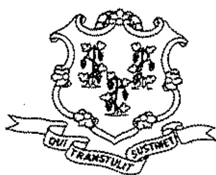

Department of Public Health
Office of Health Care Access
Certificate of Need Application
Final Decision

Applicant: Natchaug Hospital

Docket Number: 10-31526-CON

Project Title: Establishment of a Partial Hospital Program and Intensive Outpatient Program for Children and Adolescents in Old Saybrook

Project Description: Natchaug Hospital ("Natchaug" or "Applicant") proposes to establish a partial hospital program and an intensive outpatient program for children and adolescents in Old Saybrook, Connecticut, at an associated capital expenditure of $123,000.

Nature of Proceedings: On June 24, 2010, the Office of Health Care Access ("OHCA") received the completed Certificate of Need ("CON") application for the above-referenced project. The Applicant is a health care facility or institution as defined by Section 19a-630 of the Connecticut General Statutes ("C.G.S.").

A notice to the public concerning OHCA's receipt of the Applicant's Letter of Intent was published on February 13, 2010, in *The Middletown Press* pursuant to Section 19a-638 of the Connecticut General Statutes ("C.G.S). OHCA received no responses from the public concerning the Applicant's Letter of Intent.

Pursuant to Section 19a-638, C.G.S. three individuals or an individual representing an entity with five or more people had until July 15, 2010, the twenty-first calendar day following the filing of the CON application, to request that OHCA hold a public hearing on the Applicant's proposal. OHCA received no hearing requests from the public by July 15, 2010.

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

1. The Applicant is a non-profit corporation that is licensed by the State of Connecticut Department of Public Health as a "Hospital for Mentally Ill Persons." *(May 20, 2010, Initial CON Application, pages 18 and 25)*

2. Natchaug's main campus is located at 189 Storrs Road, Mansfield, CT, and has the following satellite locations under its hospital license:

Table 1: Natchaug Satellite Locations

Facility Name	Street Address	Town (Village)
Care Plus PHP	1353 Gold Star Highway	Groton
Joshua Center Enfield	72 Shaker Road	Enfield
Joshua Center Montville	20 Maple Avenue	Montville (Uncasville)
Joshua Center Northeast	934 North Main Street	Killingly (Danielson)
Quinebaugh Day Treatment Center	320 Pomfret Street	Putnam
River East Day Treatment Center	428 Hartford Turnpike	Vernon
Thames Valley PHP	1 Ohio Avenue	Norwich

(May 20, 2010, Initial CON Application, pages 18 and 25)

3. Natchaug currently operates partial hospital programs ("PHP") and intensive outpatient programs ("IOP") for children and adolescents at the Thames Valley in Norwich, Care Plus in Groton, and at the Joshua Centers in Enfield, Danielson, and Montville. In addition, there is a Joshua Center providing PHP and IOP on the main campus in Mansfield. *(May 20, 2010, Initial CON Application, page 5)*

4. The Applicant proposes to establish a PHP and IOP ("the programs") to treat children and adolescents requiring that level of care who reside in the following towns:

Chester	Clinton	Deep River	East Haddam
East Lyme	Essex	Haddam	Killingworth
Lyme	Old Lyme	Old Saybrook	Westbrook

(May 20, 2010, Initial CON Application, page 6)

5. Natchaug proposes to serve children ages 5-18 requiring behavioral health services that are more intensive than those provided on an outpatient basis, but less intensive than those provided on an inpatient basis. A child program track serves children ages 5-11 and an adolescent program serves youth 12-18 depending upon the developmental needs of the client. *(May 20, 2010, Initial CON Application, page 5)*

6. Natchaug proposes to establish the programs at 5 Research Parkway in Old Saybrook.[1] *(July 14, 2010, Facsimile Letter from Applicant, page 1)*

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[1] Natchaug originally proposed locating the new programs at 85 Westbrook Road in Essex. However, the location in Essex was determined to be unsuitable for the proposed purpose.

7. The new location is located 5 miles south of the original location and is within the proposed service area.

8. The closest providers to Natchaug's proposed location in Old Saybrook are:
   - Rushford Positive Step program, IOP services for adolescents, 1250 Silver Street, Middletown;
   - The Hospital of Saint Raphael, Branford Adolescent Day Hospital, PHP/IOP services for adolescents, 21 Business Park Drive, Branford.

   (May 20, 2010, Initial CON Application, page 11)

9. OHCA finds that the providers in Middletown and Branford are not within Natchaug's proposed service area. Furthermore, the two providers do not have programs for children.

10. The proposed services are an integral component of the continuum of behavioral health services offered by Natchaug, providing needed care after an inpatient discharge. *(May 20, 2010, Initial CON Application, pages 5 and 7)*

11. Natchaug admits approximately 25 children and adolescents from Middlesex County to its inpatient program each year. *(May 20, 2010, Initial CON Application, page 7)*

12. IOP clients receive two to three group sessions per day and PHP clients receive three to four group sessions per day. Treatment is structured using a cognitive-behavioral model. *(May 20, 2010, Initial CON Application, page 5)*

13. Programs need to be closely located to where the child lives and attends school. Children attend the PHP or IOP after school, and the duration of the program itself is up to four hours per day, making it important that transportation time to and from the program is kept at a minimum. *(May 20, 2010, Initial CON Application, page 7)*

14. Children need to have time with their families after the program, both to maintain regularity in their lives and to address family issues that are central to treatment, and they need to complete their homework and attend to their other obligations. *(May 20, 2010, Initial CON Application, page 7)*

15. Without a PHP or IOP in the proposal's service area children currently either travel long distances to access care that leads to limited family involvement and a prolonged day or do not access care at all. *(May 20, 2010, Initial CON Application, page 7)*

16. Natchaug has also provided Juvenile Justice Intermediate Evaluation ("JJIE") services to the Middlesex Juvenile Court referred youth under a contract with DCF for the past six years. These evaluations are for children who typically require a more intensive level of treatment intervention than can be provided in a traditional outpatient setting. Natchaug's options for follow-up care for those youth are limited and can be expanded with the availability of a program in Old Saybrook. *(May 20, 2010, Initial CON Application, page 7)*

17. Natchaug states that the following disorders are identified as those that characterize the majority of child and adolescent clients served by Natchaug's programs:
    - Conduct Disorder/Oppositional Defiant Disorder;
    - Mood disorders, including depression, mania/hypomania, anxiety and school refusal; and
    - Psychotic Disorders.

    (May 20, 2010, Initial CON Application, pages 15 to 18)

18. According to an article published by PEDIATRICS[2], Natchaug asserts that suicide is the third leading cause of death for persons 15-to-24 years of age and the fourth leading cause of death for persons 10-to-14 years of age. *(May 20, 2010, Initial CON Application, page 9 and June 24, 2010, Completeness Response, page 199)*

19. According to SAMHSA[3], depression can lead to school failure, alcohol and drug use, and even suicide. At any point in time, 10% to 15% of children and adolescents have some symptoms of depression.[4] *(May 20, 2010, Initial CON Application, page 9 and Completeness Response, pages 204)*

20. Major depression strikes about one in 12 adolescents. Furthermore, according to an article in the Journal of American Medical Association, among those adolescents that develop major depression, one in 14 will commit suicide as a young adult.[5] *(May 20, 2010, Initial CON Application, page 9 and Completeness Response, pages 206)*

21. According to the National Library of Medicine and Health, 20% of the school-age population is affected by oppositional defiant disorder ("ODD") and as many as one-third to one-half of all children with attention deficit hyperactivity disorder ("ADA"), mostly boys, have ODD.[6] ODD is a pattern of disobedient, hostile, and defiant behavior toward authority figures, which typically starts by age eight. *(May 20, 2010, Initial CON Application, page 9 and June 24, 2010, Completeness Response, pages 206 and 8)*

22. Natchaug cites the United States Department of Veterans Affairs, National Center for Post-Traumatic Stress Disorder Research indicating that about 14-43% of boys and girls have experienced at least one traumatic event, and that 3% to 15% of these girls and 1% to 6% of these boys may be diagnosed with PTSD. PTSD is a condition that affects individuals who have experienced a traumatic event and respond with intense feelings of fear, helplessness, or horror. *(June 24, 2010, Completeness Response, page 207)*

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[2] Source: Hamilton, Et.al. Annual Summary of Vital Statistics: 2005, PEDIATRICS, 2007, Feb; 119(2): 336-337.
[3] Department of Health and Human Services, Substance Abuse Mental Health Services Administration...
[4] Source: SAMHSA, CMHS, 2003: Major Depression in Children and Adolescents Fact Sheet.
[5] Source: Weissman, et.al. Depressed Adolescents All Grown Up, JAMA. 1999 281, 1701-13...
[6] Source: National Library of Medicine and National Institutes of Health, Medline (http://www.nlm.nih.gov/medlineplus/ency/article/001537.htm).

23. Rates of PTSD vary in children, depending on the type of traumatic event they have experienced: up to 100% of children who witnessed a parental homicide or sexual assault, 90% of sexually abused children, 77% of children exposed to a school shooting, and 35% of urban youth exposed to community violence may have PTSD. *(May 20, 2010, Initial CON Application, page 9)*

24. OHCA finds that the Applicant has provided appropriate documentation to demonstrate the variety of psychiatric conditions that are prevalent in its target population. Furthermore, the documentation supports the potential number of children and adolescents that may be treated in the proposed programs.

25. The following table reports the number of students by town or district in the Applicant's service area and those that required special education during the 2006-2007 school year as reported to the Connecticut State Department of Education.[7] Natchaug contends that the 85 students identified as having a primary emotional disturbance are part of the proposal's target population.

Table 2: Number of Students with a Disability Requiring Special Education During School Year 2006-2007

Town(s) and Grades	Disability			Total
	Emotional Disturbance	Other Impairment*	Other Disabilities**	
Chester (K-6)	0	9	1	11
Clinton (K -12)	14	42	20	76
Deep River ((PK-6)	1	4	5	10
East Haddam (PK-12)	4	27	4	35
East Lyme (PK-12)	15	128	33	176
Essex (K-6)	1	1	1	3
Old Saybrook (PK-12)	10	43	15	68
Westbrook (PK-12)	1	11	1	13
Chester, Deep River, Essex (7-12)	10	32	4	46
Haddam, Killingworth (PK-12)	24	53	8	85
Lyme, Old Lyme (PK-12)	5	26	23	54
Total	**85**	**376**	**115**	**577**

* Includes chronic health problems such as attention deficit disorders and epilepsy.
** Includes physical impairments, multiple disability, traumatic brain injury, and developmental delay.
(May 20, 2010, Initial CON Application, page 10 and June 24, 2010, Completeness Response, pages 215 - 271)

26. Five of the six programs that Natchaug operates in eastern Connecticut serve both children and adolescents. Those five programs provided a total of 22,812 days of service during calendar year 2009. The programs were open 255 days averaging 89 children and adolescents in attendance each day, or 18 per program for each of the 5 programs. Nearly 800 youth were served at these programs in 2009. *(May 20, 2010, Initial CON Application, page 12)*

[7] http://www.csde.state.ct.us/public/der/ssp/dist0607/district.htm

27. As part of its current five-year strategic plan, Natchaug has addressed quality improvement in its programs as well as providing education to patients in the value of the programs. Natchaug claims that as a result of these efforts the utilization of programs has been increasing since FY2008. *(May 20, 2010, Initial CON Application, page 23)*

28. Natchaug reported the following patients days for the past three years and for the current year, annualized, by program location:

Table 3: Historical and Current Fiscal Year Utilization by Program Town Location

Town Location of Joshua Centers for PHP and IOP	Number of Patient Days			
	FY2007	FY2008	FY2009	FY 2010 annualized
Mansfield	4,582	4,302	4,899	5,733
Montville	4,342	4,298	4,457	3,983
Danielson	4,534	4,590	4,772	5,174
Enfield	3,871	3,516	4,390	5,213
Norwich	4,422	4,492	4,076	4,984
Groton	1,510	1,315	1,502	1,825
Total	**23,261**	**22,513**	**24,096**	26,912

Note: Natchaug's Fiscal Year is from October 1 to September 30. The Applicant annualized the number of patient days for FY 2010 based on the first ten months of the fiscal year.
(May 20, 2010, Initial CON Application, page 13)

29. Natchaug's projects the following number of clients to be served by fiscal year ("FY"):

Table 4: Projected Number of Clients to be Served

	Projected Volume by Fiscal Year			
	2010 (3 mos)	2011	2012	2013
Partial Hospital Clients	10	72	81	89
Intensive Outpatient Clients	11	80	90	98
Total	**22**	**152**	**171**	**187**

(June 24, 2010, Completeness Response, page 64)

30. In projecting the service volumes, Natchaug based the projections on:
    - A mature program providing about 18 PHP/IOP services per day;
    - Special education placements and population statistics for the target age groups being similar to areas served by Natchaug's other programs; and
    - The proposed program growing to a size comparable to that of other Natchaug programs using the same service design.

    (May 20, 2010, Initial CON Application, page 7)

31. Natchaug projects the following service volumes:

Table 5: Projected Service Volume

Program	Projected Volume by FY			
	2010 (3 mos)	**2011**	**2012**	**2013**
Partial Hospital Program Visits	158	1,146	1,301	1,418
Intensive Outpatient Program Visits	210	1,534	1,743	1,897
Total Projected Visits	**368**	**2,680**	**3,044**	**3,315**

(May 20, 2010, Initial CON Application, page 13)

32. Since the proposed programs in Old Saybrook will be new, Natchaug states that it used a modest projected growth rate, reaching 3,315 PHP/IOP visits in the third full year of operation, volumes that are below the averages of 4,564 PHP/IOP visits for an existing Natchaug program. *(May 20, 2010, Initial CON Application, page 12)*

33. OHCA finds that the number of projected clients and the projected number of visits are reasonable and achievable based upon Natchaug's historic utilization with similar programs and special education and population statistics for the target age groups.

34. The minimum number of visits needed to achieve an incremental gain in the first three years of full operations are 1,590, 1,759, and 1,788 for FYs 2011, 2012, and 2013, respectively. *(May 20, 2010, Initial CON Application, page 22)*

35. The staffing for the program will include the following positions:
    - Program Director
    - Child/adolescent psychiatrist
    - Primary therapists (i.e., clinicians prepared at the master's or doctoral level)
    - Mental Health Workers (direct care staff who also provide transportation)
    - Office Manager

    (May 20, 2010, Initial CON Application, page 14)

36. The proposal will require a capital expenditure of $123,000 for the purchase of non-medical equipment. *(May 20, 2010, Initial CON Application, page 19)*

37. Natchaug will use $48,000 of its hospital operating fund toward the total capital expenditure. The balance of the proposal will be financed through donations from business and foundations, individuals and the Natchaug's Annual Appeal. *(May 20, 2010, Initial CON Application, page 19)*

38. The proposal will have the following incremental gains/losses by fiscal year. Net patient revenue, operating expenses, and gains from operations are presented in the following table.

Table 6: Projected Incremental Revenues and Expenses

	Fiscal Year			
	2010*	**2011**	**2012**	**2013**
Revenue from Operations	$104,716	$979,668	$1,163,748	$1,313,534
Operating Expenses	158,402	849,820	945,356	993,064
Gain from Operations	**($53,686)**	**$129,848**	**$218,392**	**$320,740**

*Represents only 3 months of activity; losses will result due to the investment in capital and the employment and training of staff in advanced of opening the programs.
(May 20, 2010, Initial CON Application, page 26)

39. The programs will operate entirely on a fee-for-service basis. There will be no grants or other requirements for funding on any state or other agency for any services except those that are deemed medically necessary by the managed care organizations representing the consumers. *(May 20, 2010, Initial CON Application, pages 15 and 20)*

40. Natchaug will charge the following amounts per visit per child by fiscal year for the programs:

Table 7: Projected Charges by Program

Program	**Fiscal Year**			
	2010	**2011**	**2012**	**2013**
Partial Hospital	$445	$521	$589	$677
Intensive Outpatient	$345	$397	$457	$526

(May 20, 2010, Initial CON Application, page 36 and June 24, 2010, Completeness Response, page 65)

41. Natchaug charges a blend of existing government and non-government rates. The government rates are expected to increase minimally in the reported fiscal years. The non-government rates are based upon Natchaug's existing managed care contracts and anticipated results or the re-negotiation of rates upon expiration of contracts. The overall reimbursement rate increase for the programs is expected to increase by approximately 4%. *(May 20, 2010, Initial CON Application, page 22)*

42. OHCA finds that combined with the projected volumes and the projected charges for the programs, that Natchaug's incremental gain from operating the programs is sufficient to cover the incremental costs of adding the programs to its community-based network of services.

43. The proposal will have the following patient population mix by payer for the PHP and IOP:

Table 8: Patient Population Mix

	Fiscal Year			
	FY2010	**FY 2011**	**FY 2012**	**FY 2013**
Medicare*	0%	0%	0%	0%
Medicaid*	55.2%	55.3%	55.4%	55.4%
CHAMPUS & TriCare	6.3%	6.2%	6.1%	6.2%
Total Government	**61.4%**	**61.5%**	**61.5%**	**61.5%**
Commercial Insurers*	38.6%	38.5%	38.5%	38.5%
Uninsured	0%	0%	0%	0%
Workers Compensation	0%	0%	0%	0%
Total Non-Government	**38.6%**	**38.5%**	**38.5%**	**38.5%**
Total Payer Mix	**100.0%**	**100.0%**	**100.0%**	**100.0%**

(May 20, 2010, Initial CON Application, page 20)

44. Natchaug based its payer mix on the data available from its existing programs. The mix varies only slightly from program to program in that the need for services is higher among children from families where various circumstances have led the family to obtain Medicaid benefits for the child. The same circumstances that led a family to obtain Medicaid benefits (e.g., divorce, placement in a foster or group home, loss of income) often have created stress that has led the family to seek treatment for their child. *(May 20, 2010, Initial CON Application, page 20)*

45. Natchaug Hospital intends to integrate the Old Saybrook program into its existing management structure without adding any executive or senior management personnel. Since Natchaug already operates a total of 10 such programs, it has a well established organizational structure to support those programs in terms of medical, clinical, and administrative leadership, as well as human resources and billing support. *(May 20, 2010, Initial CON Application, page 23)*

Rationale

OHCA approaches community and regional need for 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.

Natchaug is a non-profit corporation that is licensed by the State of Connecticut Department of Public Health as a "Hospital for Mentally Ill Persons." Natchaug's main campus is located at 189 Storrs Road, Mansfield, CT. Natchaug also has seven satellite locations. Natchaug currently operates PHP and IOP for children and adolescents at the Thames Valley in Norwich, Care Plus in Groton, and at the Joshua Centers in Enfield, Danielson, and Montville. In addition, there is a Joshua Center providing PHP and IOP on the main campus. Natchaug maintains that the programs are an integral component of its continuum of behavioral health services.

Natchaug proposes to establish PHP and IOP ("the programs") to treat children and adolescents requiring that level of care who reside in the towns of Chester. Clinton, Deep River, East Haddam, East Lyme, Essex, Haddam, Killingworth, Lyme, Old Lyme, Old Saybrook, and Westbrook. The programs will be located at 5 Research Parkway in Old Saybrook. OHCA finds that the providers in Middletown and Branford are not within Natchaug's proposed service area and though they provide services for adolescents, there are no programs for children. (Findings of Fact 7 and 10). Therefore, Natchaug's proposal will provide access to a level of service not currently available in the Applicant's proposed service area.

Due to the frequency of the visits that the programs require, the closer a treatment location is to a child's or adolescent's residence, the more chance there is that a child or adolescent will attend the sessions and obtain the services they need. Each of the two programs that the Applicant is proposing requires that a child or adolescent attend the therapy sessions for several hours each week. (Finding of Fact 12). The partial hospitalization program requires attendance three to four times a week after school and the intensive outpatient program requires attendance two to three times a week. (Finding of Fact 12). Therefore, it is beneficial if the programs are located close to a child's home. (Finding of Fact 13). Given the lack of similar programs in the area, OHCA finds that the proposal will positively impact the quality and accessibility of health care delivery in the area.

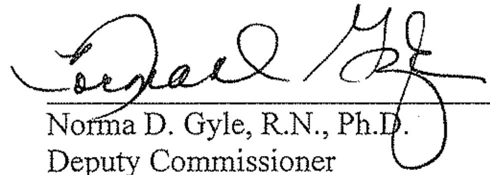
The CON proposal's total capital expenditure is $123,000. (Finding of Fact 34). Natchaug will use operating funds and donations to finance the proposal. OHCA finds that the combination of the projected volumes and the projected charges for the programs appear sufficient to cover the expense of operating the programs and therefore the proposal is financial feasible. (Findings of Fact 29, 36, and 38).

Order

Based on the foregoing Findings and Rationale, the Certificate of Need application of Natchaug Hospital to establish a partial hospital program and an intensive outpatient program for children and adolescents at 5 Research Parkway, Old Saybrook, Connecticut, at an associated capital expenditure of $123,000, 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
Department of Public Health
Office of Health Care Access



8.25.10
Date

Norma D. Gyle, R.N., Ph.D.
Deputy Commissioner

NDG:lkg