



**STATE OF CONNECTICUT**  
DEPARTMENT OF PUBLIC HEALTH  
*Office of Health Care Access*

August 5, 2014

**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: 13-31874-CON


**Lawrence + Memorial Hospital, Inc.**

**Termination of Outpatient Nuclear and  
Non-Nuclear Cardiac Testing Services  
at 196 Parkway South, Waterford**

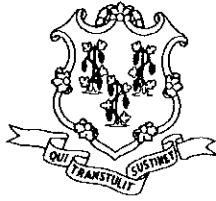
To: Shradha Patel  
Director of Business Development and Planning  
Lawrence + Memorial Hospital, Inc.  
365 Montauk Avenue  
New London, CT 06320

Dear Ms. Patel:

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 5, 2014, 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.

  
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Kimberly R. Martone  
Director of Operations

Enclosure  
KRM:lkg



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

**Final Decision**

**Applicant:** Lawrence + Memorial Hospital, Inc.  
365 Montauk Avenue, New London, CT 06320

**Docket Number:** 13-31874-CON

**Project Title:** Termination of Outpatient Nuclear and Non-Nuclear Cardiac Testing Services at 196 Parkway South, Waterford

**Project Description:** Lawrence + Memorial Hospital, Inc. ("Hospital" or "Applicant") seeks authorization to terminate outpatient cardiac testing services (nuclear and non-nuclear stress testing) at 196 Parkway South, Waterford, Connecticut, with no associated capital expenditure.

**Procedural History:** The Applicant published notice of its intent to file the CON Application in *The Day* (New London) on September 24, 25 and 26, 2013. On November 14, 2013, the Office of Health Care Access ("OHCA") received the Certificate of Need ("CON") application from the Applicant for the above-referenced project. The application was deemed complete on March 10, 2014. OHCA received no responses from the public concerning the Hospital's proposal and no hearing requests were received from the public per Connecticut General Statutes § 19a-639a. Deputy Commissioner Davis considered the entire record in this matter.

To the extent the findings of fact actually represent conclusions of law, they should be so considered, and vice versa. *SAS Inst., Inc., v. S & H Computer Systems, Inc.*, 605 F.Supp. 816 (Md. Tenn. 1985).

## Findings of Fact and Conclusions of Law

1. The Applicant is a 308-bed acute care hospital located at 365 Montauk Avenue, New London, Connecticut and a health care facility or institution as defined by Conn. Gen. Stat. § 19a-630. Ex. A, p. 9
2. The Hospital offers outpatient nuclear and non-nuclear cardiac testing at the following locations:

**Table 1: Locations of the Hospital's Cardiac Testing**

Name	Address
Lawrence + Memorial Hospital's main campus	365 Montauk Avenue, New London
Crossroads Professional Building	196 Parkway South, Suite 103, Waterford

Ex. A, p. 9

3. The Hospital assumed operation of the nuclear and non-nuclear cardiac stress testing services at the Crossroads Professional Building ("Waterford") on May 1, 2012. The services were previously offered at this location by Eastern Connecticut Cardiology Group, P.C. Ex. C, p. 49 and Ex. H, p. 1
4. Nuclear and non-nuclear cardiac testing is performed at the request of a patient's provider to diagnose certain cardiac conditions. Ex. A, p. 9
5. The Hospital proposes to terminate nuclear and non-nuclear cardiac testing at Waterford. No other services currently offered at Waterford will be terminated.<sup>1</sup> Ex. A, p. 9 and Ex. G, p. 2
6. Nuclear and non-nuclear cardiac testing will continue to be provided at the Hospital's main campus. Ex. A, p. 9

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<sup>1</sup> Cardiology physician services are also offered in Suite 103. In a separate suite at the same address the Hospital offers various diagnostic imaging services including, but not limited to CT, PET/CT, MRI, ultrasound, cardiovascular ultrasound, radiology, mammography and bone density. None of these services are proposed for termination.

7. Of the 1,074 nuclear and non-nuclear cardiac tests performed in FY 2013, 84% were performed on residents of the Hospital's primary service area towns:

**Table 2: Number of Nuclear and Non-Nuclear Stress Tests by Town within the Hospital's Primary Service Area**

Town	No. of Tests	Town	No. of Tests
Groton	251	Stonington	27
Waterford	212	Ledyard	17
East Lyme	132	North Stonington	14
New London	108	Lyme	8
Montville	88	Montville	0
Old Lyme	41		
<b>Total Primary Service Area Tests</b>			<b>898</b>
<b>Total Number of Tests Performed</b>			<b>1,074</b>
<b>% of Test on Primary Service Area Residents</b>			<b>84%</b>

Ex. A, pp. 9, 19, 21

8. The Waterford location is within the Hospital's primary service area and both locations are within seven miles of each other. Ex. A, p. 10
9. The Applicant's decision to terminate services at the Waterford location is based on the decreasing number of tests being performed at that location due to:
- An overall decline in the demand for nuclear and non-nuclear testing;
  - The Hospital's facilities are newer, are of higher quality and have attenuation correction unlike at Waterford;
  - High risk or heavier patients must receive their testing at the Hospital; and
  - Physician preference for their patients to be at the Hospital in the event of a complication.

Ex. A, p. 10 and Ex. G, p. 1

10. The Applicant's historical and current number of tests was reported as follows:

**Table 3: Historical and Current Number of Tests at Waterford**

Cardiac Test	Period Reported				
	May 1, 2012 – Sept. 30, 2012*		Oct. 1, 2012 – Sept. 30, 2013	Oct. 1, 2013 – June 30, 2014	
	Actual	Annualized	Actual	Actual	Annualized
Nuclear	296	710	671	67	90
Non-nuclear	165	396	403	123	164
<b>Total</b>	<b>461</b>	<b>1,106</b>	<b>1,074</b>	<b>190</b>	<b>254</b>
<b>% Change from previous year</b>	-		<b>-3%</b>	-	<b>-76%</b>

\* The facility opened May 1, 2012.

Ex. A, p. 13, Ex. C, p. 49, Ex. D, p. 1 and Ex. G, p. 1

11. The Hospital's current and projected capacity is as follows:

**Table 4: Hospital's Current and Projected Capacity**

Cardiac Test	Hospital Capacity in Number of Tests/Year	FY 2013		Projected No. of Tests to Shift from Waterford	Combined	
		Tests	% of Capacity		Tests	% of Capacity
Nuclear	1,750	591	34%	671	1,262	72%
Non-nuclear	2,008	1,087	54%	403	1,490	74%

Ex. A, pp. 10, 11

12. The nuclear and non-nuclear stress testing equipment at the Waterford location is nearing the end of its useful life. The nuclear cardiac stress testing equipment was originally purchased by the previous owner in 2003. Substantial upgrades to this equipment would be required to continue nuclear stress testing at the Waterford location at a significant financial cost. Ex. A, p. 11 and Ex. C, p. 49

13. The non-nuclear testing equipment will be moved from the Waterford location to the Hospital and placed in a vacant room to serve as back-up to the Hospital's current equipment. Ex. A, p. 11

14. The main campus of the Hospital has comprehensive cardiac services and adequate staff and resources available to provide quality nuclear and non-nuclear cardiac testing services to all patients in the Hospital service area, including those who accessed them at the Waterford location. Ex. A, p. 14

15. There is no capital expenditure associated with the proposal and all expenses associated with offering duplicative nuclear and non-nuclear cardiac stress testing services at the Waterford location, including lease and service expenses, licensure fees, staff expenses and physicist service expenses, will be avoided. Ex. A, p. 17

16. No operating losses are projected with this proposal. Ex. A, p. 17

17. The following table illustrates the Hospital's projected gain from operations with the proposal through FY 2015:

**Table 5: Hospital's Financial Projections with the Proposal  
(in thousand dollars)**

Description	FY 2013	FY 2014	FY 2015
Revenue from Operations	\$334,957	\$353,940	\$353,940
Operating Expenses	328,763	332,574	332,574
<b>Gain from Operations</b>	<b>\$ 6,194</b>	<b>\$ 21,366</b>	<b>\$ 21,366</b>

Ex. A, p. 43

18. The fee structure for cardiac nuclear and non-nuclear testing is the same at Waterford and the Hospital. The Hospital offers its services, including those provided at all outpatient locations, to patients regardless of payer status or ability to pay. Ex. G, p. 2

19. Waterford 's current and historical payer mix is as follows:

**Table 6: Waterford's Current Payer Mix**

Description	FY 2012*	FY 2013**	FY 2014***
Medicare	56.8%	50.9%	60.5%
Medicaid	1.7%	4.6%	3.5%
CHAMPUS & TriCare	1.9%	2.8%	1.2%
<b>Total Government</b>	<b>60.3%</b>	<b>58.3%</b>	<b>65.1%</b>
Commercial Insurers*	39.0%	41.3%	34.9%
Uninsured	0.2%	0.4%	0.0%
Workers Compensation	0.5%	0.1%	0.0%
<b>Total Non-Government</b>	<b>39.7%</b>	<b>41.7%</b>	<b>34.9%</b>
<b>Total Payer Mix</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

\*Fiscal Year 2012 (October 1, 2011 to September 30, 2012) only represents five (5) months of service as the Hospital did not commence these services until May 1, 2012.

\*\*October 1, 2012 to September 30, 2013.

\*\*\*Fiscal Year 2014 (October 1, 2013 to September 30, 2014), the current fiscal year, only represents the period October 1, 2013 to December 31, 2013.

Exhibit C, p. 56

20. The Applicant provides certain services free or at a reduced charge to uninsured or underinsured individuals who cannot afford to pay for medical care. Ex. A, p. 16

21. There will be no change to the provision of cardiac testing services to Medicaid recipients or indigent persons. Medicaid patients will continue to obtain nuclear and non-nuclear cardiac testing services at the main campus. Ex. C, p. 51, 52

22. By focusing on providing nuclear and non-nuclear cardiac stress testing at one location, the Hospital has more resources to keep up with technological developments and provide the most advanced care to patients at the most efficient cost to the payors. Ex. A, p. 16

23. Consolidation and removal of excess costs will allow the Applicant to keep pace with decreasing provider reimbursement rates, increased regulation, integrated delivery systems and emphasis on collaborative care. Ex. A, p. 17

24. OHCA is currently in the process of establishing its policies and standards as regulations. Therefore, OHCA has not made any findings as to this proposal's relationship to any regulations not yet adopted by OHCA. (Conn. Gen. Stat. § 19a-639(a)(1))

25. This CON application is consistent with the overall goals of the Statewide Health Care Facilities and Service Plan. (Conn. Gen. Stat. § 19a-639(a)(2))

26. The Applicant has established that there is a clear public need for its proposal. (Conn. Gen. Stat. § 19a-639(a)(3))
27. The Applicant has demonstrated that the proposal is financially feasible. (Conn. Gen. Stat. § 19a-639(a)(4))
28. The Applicant has satisfactorily demonstrated that quality and access to services in the region will be maintained for all relevant patient populations and that the proposal will reduce overall system costs by eliminating duplicative services and allowing for the greater use of a more cost-efficient diagnostic method with the potential to reach a broader population. (Conn. Gen. Stat. § 19a-639(a)(5))
29. The Applicant has shown that there would be no adverse change to the provision of health care services to the relevant populations and payer mix, including Medicaid patients and indigent persons. (Conn. Gen. Stat. § 19a-639(a)(6))
30. The Applicant has satisfactorily identified the population to be affected by this proposal. (Conn. Gen. Stat. § 19a-639(a)(7))
31. The declining historical utilization of nuclear and non-nuclear cardiac stress testing in the service area supports this proposal. (Conn. Gen. Stat. § 19a-639(a)(8))
32. The Applicant has satisfactorily demonstrated that this proposal would not result in an unnecessary duplication of existing services in the area. (Conn. Gen. Stat. § 19a-639(a)(9))
33. The Applicant has demonstrated that there will be no reduction in access to services by Medicaid recipients or indigent persons. (Conn. Gen. Stat. § 19a-639(a)(10))

## Discussion

CON applications are decided on a case-by-case basis and do not lend themselves to general applicability due to the uniqueness of the facts in each case. In rendering its decision, OHCA considers the factors set forth in § 19a-639(a) of the Statutes. The Applicants bear the burden of proof in this matter by a preponderance of the evidence. *Jones v. Connecticut Medical Examining Board*, 309 Conn. 727 (2013)

The Applicant is a 308-bed acute-care hospital located at 365 Montauk Avenue, New London, Connecticut. *FF1* The Hospital is proposing to relocate all non-nuclear stress testing services and equipment currently located at its Waterford location to the main Hospital campus and to terminate nuclear cardiac testing at its Waterford location. *FF5, 14*

The Hospital began offering nuclear and non-nuclear cardiac stress testing services at the Waterford location on May 1, 2012. The services were previously offered at this location by a private physician group. *FF3* Nuclear and non-nuclear cardiac testing is also provided at the Hospital's main campus located approximately seven miles away. *FF2, 8* The decision to terminate the services is based on the decrease in the number of tests performed in the current year as compared to the two previous years. On an annualized basis, the number of tests performed in FY 2014 at the Waterford location decreased by 76% from FY 2013. *FF10* The Waterford location has become redundant since the main campus of the Hospital has comprehensive cardiac services with adequate staff and resources to provide quality nuclear and non-nuclear cardiac testing services to all patients in the Hospital service area, including those who accessed them at the Waterford location. *FF14* The Hospital offers its services, including those provided at all outpatient locations, to patients regardless of payer status or ability to pay. Medicaid recipients and indigent persons will continue to obtain nuclear and non-nuclear cardiac testing services at the main campus and the Hospital will provide certain services free of charge or at a reduced rate. *FF 18, 20* Based upon the foregoing, the Applicant has satisfactorily demonstrated that access to nuclear and non-nuclear cardiac testing services will be maintained for the relevant population.

In terms of efficiency, this proposal will eliminate unnecessary duplicative services at the Waterford location without patient disruption and within the same continuum and system of care. *FF12, 14* The Hospital has sufficient capacity to accommodate all of the nuclear and non-nuclear cardiac testing patients from the Waterford location. *FF11* By focusing on providing nuclear and non-nuclear cardiac stress testing at one location, the Hospital has more resources to keep up with technological developments and provide the most advanced care to patients at the most efficient cost to the payors. *FF21* This effect will provide a higher quality of care to the Hospital's patients without reducing access. Also, there is no capital expenditure associated with these proposed changes and the Hospital will avoid all expenses associated with offering unnecessarily duplicative nuclear and non-nuclear cardiac stress testing services at the Waterford location, including lease and service expenses, licensure fees, staff expenses and physicist service expenses. *FF15* The result is an increase in the financial strength of Connecticut's health care system. Furthermore, health care reform requires consolidation and removal of excess costs to keep up with decreasing provider reimbursement rates, increased regulation, integrated



delivery systems and emphasis on collaborative care. *FF23* Therefore, the Applicant has demonstrated that its proposal is financially feasible.

One of the overarching goals of the Statewide Health Care Facilities and Services Plan is the use of health care facility resources in an efficient, cost-effective manner while maintaining or improving patients' access to quality health care services. This proposal will allow for nuclear and non-nuclear cardiac testing services to be provided in a more cost-effective setting and eliminate the duplication of services in the Hospital's service area. Thus, the Hospital has sufficiently demonstrated a clear public need for this proposal.

## Order

Based upon the foregoing Findings and Discussion, the Certificate of Need application of Lawrence + Memorial Hospital, Inc. to terminate outpatient cardiac testing services (nuclear and non-nuclear stress testing) at 196 Parkway South, Waterford, Connecticut, is hereby **APPROVED**.

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

Date

8/3/14

Lisa A. Davis  
Lisa A. Davis, MBA, BS, RN  
Deputy Commissioner