STATE OF CONNECTICUT

DEPARTMENT OF PUBLIC HEALTH

Office of Health Care Access

August 26, 2014

IN THE MATTER OF:

An Application for a Certificate of Need filed Pursuant to Section 19a-638, C.G.S. by:	Notice of Agreed Settlement Office of Health Care Access Docket Number: 14-31892-CON
Essent Healthcare of Connecticut, Inc. d/b/a Sharon Hospital	**Termination of Sharon Hospital's Intensive Outpatient Program in Sharon, CT**

To:

Kimberly Lumia
President and Chief Executive Officer
Sharon Hospital
50 Hospital Hil Road
Sharon, CT 06069

RE: Certificate of Need Application, Docket Number 14-31892-CON
Essent Healthcare of Connecticut, Inc. d/b/a Sharon Hospital
Termination of Sharon Hospital's Intensive Outpatient Program in Sharon, CT

Dear Ms. Lumia,

This letter will serve as notice of the approved Certificate of Need Application in the above-referenced matter. On August 26, 2014, the Final Decision, attached hereto, was adopted and issued as an Order by the Department of Public Health, Office of Health Care Access.

Kimberly R. Martone
Director of Operations

Enclosure
Copy: Jennifer G. Fusco, Esq., Updike, Kelly & Spellacy, P.C.

KRM:lkg

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

Final Decision

Applicant: **Essent Healthcare of Connecticut, Inc. d/b/a Sharon Hospital**
50 Hospital Hill Road, Sharon, CT 06069

Docket Number: **14-31892-CON**

Project Title: **Termination of Sharon Hospital's Intensive Outpatient Program**

Project Description: Essent Healthcare of Connecticut, Inc. d/b/a Sharon Hospital ("Hospital" or "Applicant") seeks authorization to terminate its Intensive Outpatient Program at Sharon Hospital, with no associated capital expenditure.

Procedural History: The Hospital published notice of its intent to file a Certificate of Need ("CON") application in *The Republican American* (Waterbury) on December 13, 14 and 15, 2013. On January 24, 2014, the Office of Health Care Access ("OHCA") received the initial CON application from the Hospital for the above-referenced project. The application was deemed complete on May 15, 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 ("Conn. Gen. Stat.") § 19a-639a(e). Deputy Commissioner Davis considered the entire record in this matter.

Findings of Fact and Conclusions of Law

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).

1. The Applicant is a 94-bed acute-care hospital located at 50 Hospital Hill Road, Sharon, Connecticut and a health care facility or institution as defined by Conn. Gen. Stat. § 19a-630. Ex. A, p. 29

2. The Hospital provides inpatient psychiatric services ("Inpatient Service") for geriatric patients, as well as emergency psychiatric services for patients of all ages through the Hospital's Emergency Department. Ex. A, p. 12

3. On January 2, 2008, OHCA granted Sharon Hospital approval (DN: 07-31006-CON) to establish Intensive Outpatient Program ("IOP") services at Sharon Hospital. Ex. A, p. 13

4. The Hospital began providing IOP services on July 7, 2008 and discontinued them on April 27, 2012. Ex. A, p. 13

5. The IOP targeted adults over the age of 50 and was intended to provide complimentary behavioral health services for patients being discharged from Inpatient Service or treatment for those who did not require an inpatient level of care. Ex. A, p. 9

6. The IOP operated out of the Senior Behavioral Health Center on the Hospital's main campus and like the Inpatient Service, it was staffed, managed and administered under contract with Horizon Mental Health, LLC d/b/a Horizon Health Behavioral Health Services. Ex. A, p. 9

7. The Inpatient Service at Sharon Hospital served as the primary referral source for the IOP (97% of IOP patients came from the Inpatient Service), which functioned as a step-down level of care for patients discharged from Inpatient Service. Ex. A, p. 9

8. The Hospital's historical admissions and visits to the IOP have been reported as follows:

TABLE 1
HOSPITAL'S IOP ADMISSIONS/VISITS BY CALENDAR YEAR

	Calendar Year			
	2009	**2010**	**2011**	**2012***
IOP Service Admissions/Visits	128/904	106/901	91/659	17/59
% Change in Admissions/Visits		-17%/<-1%	-14%/-27%	-81%/-91%

* January 1, 2012 – April 30, 2012
Ex. A, p. 18

9. The reasons for the decline in IOP volume at Sharon Hospital are as follows:
   a) The new Director for Senior Behavioral Health hired in 2008 shifted the focus of the Inpatient Service to the treatment of older seniors with Alzheimer's or late-stage dementia and co-occurring behavioral disturbances;
   b) Approximately 67% of Inpatient Service admissions between 2009 and 2012 were individuals between the ages of 76 and 103 years old. (The IOP service was geared towards younger seniors, ages 65 to 75, with the ability to travel to/from daily therapy and actively participate in the program);
   c) Many patients admitted to the Inpatient Service were from skilled nursing facilities ("SNF") and discharged back to these facilities once treatment was complete. Approximately 62% of patients who used the Inpatient Service between 2009 and 2012 were discharged to SNFs;
   d) Another 9% of seniors using the Inpatient Service were discharged to other facilities or admitted to the Hospital for medical issues, which disqualified them as candidates for the IOP; and
   e) The Hospital overestimated the population that could benefit from the program and did not take into account the fact that the target population lived in cities or towns near other existing programs.
   Ex. A, pp. 10-12

10. 92% of all patients who utilized the Inpatient Service between 2009 and 2012 had a primary diagnosis of organic behavioral disturbances such as dementia, psychosis or other degenerative nervous system disorder; therefore these patients were not candidates for the IOP. Ex. A, p. 10

11. Since April, 2012 no Inpatient Service patients would have been eligible for the IOP service. Ex. A, p. 10

12. The following table shows the existing IOP providers in the Applicant's service area:

TABLE 2
EXISTING IOPs IN THE APPLICANT'S SERVICE AREA

Description of Service	**Provider Name and Location**	**Days of Operation**
IOP Program	Charlotte Hungerford Hospital 540 Litchfield Street, Torrington, CT	4 Days per week
IOP Program	Waterbury Hospital 64 Robbins Street, Waterbury, CT	3 Days per week
IOP Program	Duchess County Mental Hygiene 230 North Road, Poughkeepsie, NY	5 Days per week

Ex. A. p. 15

13. The IOP had no active patients at the time operations ceased in April 2012. All patients had been discharged in the ordinary course of treatment prior to April and the Hospital received no additional requests for IOP service beyond March of 2012. Ex. A, p. 16

14. The Hospital made an effort to arrange for appropriate follow-up care for all patients discharged from the IOP. These patients were discharged because they had finished treatment and were no longer in need of IOP services, not because the program was discontinued. Ex. A, p. 17

15. On an annual basis, approximately 30% of admissions to the IOP were New York residents. Only 95 Connecticut residents utilized the program in 2009, 73 in 2010, 61 in 2011, and 12 from January through April of 2012. Ex. A, p. 18.

16. There is no capital expenditure associated with discontinuance of the IOP at the Hospital. Ex. A, p. 23

17. There are no losses associated with discontinuance of the IOP.

TABLE 3
APPLICANT'S GAIN / (LOSS) FROM OPERATIONS

	FY 2012* (Actual)	**FY 2013**	**FY 2014**	**FY 2015**
Revenue from Operations	59,861,788	62,061,788	62,791,799	63,309,355
Total Operating Expenses	59,794,318	61,767,993	63,805,748	63,651,655
Incremental Gain from Operations	$67,470	123,189	125,144	127,149

*October 1- April 30
Continuation of the program would require a fixed fee payment to Horizon. This payment includes a Program Director salary of approximately $78,000 for FY 2013 and a management fee of approximately $45,000.
Ex. A. pp. 24 & 79

18. Discontinuance of the Hospital IOP service was cost-effective in that it has helped the Hospital avoid significant financial losses associated with operating a program with no patient volume. Ex. A, p. 26

19. The Hospital's historical patient population mix by payer for the IOP was as follows:

TABLE 4
APPLICANT'S HISTORICAL PAYER MIX

Description	FY 2008	FY 2009	FY 2010	FY 201211	FY 2012
Medicare	91%	95%	96%	95%	71%
Medicaid	0%	0%	0%	0%	0%
CHAMPUS &TriCare	0%	0%	0%	0%	0%
Total Government	**91%**	**95%**	**96%**	**95%**	**71%**
Commercial Insurers*	6%	5%	1%	5%	29%
Uninsured	3%	0%	3%	0%	0%
Worker's Comp	0%	0%	0%	0%	0%
Total Non-Government	**9%**	**5%**	**4%**	**5%**	**29%**
Total Payer Mix	**100%**	**100%**	**100%**	**100%**	**100%**

Ex. C, p. 90

20. Reimbursement levels did not factor into the decision to discontinue the IOP. The program was discontinued due to a lack of patient volume. Ex. A, p. 25

21. There is no change in access for Medicaid patients with discontinuance of the IOP since the program did not serve the Medicaid population. The IOP never had a request to provide services to any Medicaid patients while it was in operation. Ex. C, p. 91

22. 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))

23. 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))

24. The Applicant has established that there is a clear public need for its proposal. (Conn. Gen. Stat. § 19a-639(a)(3)).

25. The Applicant has demonstrated that the proposal is financially feasible. (Conn. Gen. Stat. § 19a-639(a)(4)).

26. The Applicant has satisfactorily demonstrated that access to services in the region will be maintained for all relevant patient populations. (Conn. Gen. Stat.§ 19a-639(a)(5))

27. The Applicant has shown that there would be no adverse change in 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)).

28. The Applicant has satisfactorily identified the population to be affected by this proposal. (Conn. Gen. Stat. § 19a-639(a)(7)).

29. The declining historical utilization of IOP services in the Applicant's service area supports this proposal. (Conn. Gen. Stat. § 19a-639(a)(8)).

30. 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)).

31. The Applicant has demonstrated that there will be no reduction in access to services by Medicaid recipients or indigent persons as a result of its proposal. (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 Conn. Gen. Stat. § 19a-639(a). The Applicant bears 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, a 94-bed acute-care hospital in Sharon, Connecticut, provides inpatient psychiatric services ("Inpatient Service") for geriatric patients, as well as emergency psychiatric services for patients of all ages through the Hospital's Emergency Department. *FF1, 2* The Hospital began providing and Intensive Outpatient Program ("IOP") on July 7, 2008. The IOP targeted adults over the age of 50 and was intended to provide complementary behavioral health services for patients being discharged from Inpatient Service or treatment for those who did not require an inpatient level of care. *FF5* The Inpatient Service at the Hospital served as the primary referral source for the IOP, which functioned as a step-down level of care for patients discharged from Inpatient Service. *FF7* The Hospital ceased providing the IOP on April 27, 2012. *FF4*

The primary reason for the discontinuance of the IOP was a rapid decline in volume. The lack of volume was attributed to several factors: a shift by the Hospital to the treatment of older seniors with Alzheimer's or late-stage dementia and co-occurring behavioral disturbances, as opposed to younger seniors with the ability to travel to the program and actively participate; a large percentage (62%) of the patients admitted to Inpatient Services being discharged to skilled nursing facilities as opposed to the IOP; an additional 9% of those seniors using Inpatient Services being discharged to other facilities or admitted to the Hospital, thus disqualifying them as IOP candidates; and an initial overestimation of the population that could benefit from the program and a failure to account for the fact that the IOP's target population lived in cities or towns near other existing programs. *FF9*

Looking at the population served by the Inpatient Service, 92% of all patients between 2009 and 2012 had a primary diagnosis of organic behavioral disturbances such as dementia, psychosis or other degenerative nervous system disorder; therefore these patients were not candidates for the IOP. *FF10* The IOP had no active patients at the time operations ceased in April 2012. All patients had been discharged in the ordinary course of treatment prior to April and the Hospital received no additional requests for the IOP beyond March of 2012. *FF13* Furthermore, since the termination of the IOP in April 2012, no Inpatient Service patients would have been eligible to participate in the IOP because they were either admitted to the Hospital for medical issues or failed to meet the IOP admissions criteria given the aforementioned cognitive disorders. *FF11; Ex. A, p.10* The Hospital made every effort to arrange for appropriate follow-up care for all patients discharged from the IOP. Those patients were discharged because they had finished treatment and were no longer in need of IOP services, not because the program was discontinued. *FF14*

On an annual basis, approximately 30% of admissions to the IOP were New York residents. Only 95 Connecticut residents utilized the program in 2009, 73 in 2010, 61 in 2011, and 12 from

January through April of 2012. *FF15* Given the other providers of IOP services in the Applicant's service area, Charlotte Hungerford Hospital, Waterbury Hospital and Duchess County Mental Hygiene (New York), access is maintained for the population previously served by the Hospital. *FF12* Notably, the IOP never had a request to provide services to any Medicaid patients during the time it was in operation. Therefore, there is no change in access for Medicaid patients with discontinuance of the IOP. *FF21*

With the termination of the IOP, the Hospital will realize annual savings of approximately $125,000 for FYs 2013 to 2015, and given that there are no capital expenditures associated with its termination, the Applicant has demonstrated that its proposal is financially feasible. *FF16-18*

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 access to IOP services to be maintained for the relevant population and eliminate the duplication of IOP services in the Hospital's service area. Thus, the Hospital has sufficiently demonstrated a clear public need for its proposal.

Order

Based upon the foregoing Findings and Discussion, the Certificate of Need application of Essent Healthcare of Connecticut, Inc. d/b/a Sharon Hospital to terminate its IOP Services in Sharon, 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

8/26/14
Date

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