



Office of Health Care Access Certificate of Need Application

Agreed Settlement

Hospital: Saint Mary's Hospital

Docket Number: 05-30571-CON

Project Title: Establishment of Wolcott Health and Wellness Center

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

Filing Date: November 15, 2005

Decision Date: February 27, 2006

Default Date: February 28, 2006
(with 15 day time extension)

Staff: Paolo Fiducia

Project Description: Saint Mary's Hospital ("Hospital") proposes to establish the Wolcott Health and Wellness Center at 533 Wolcott Road, Wolcott, Connecticut, at a total proposed capital expenditure of \$122,350.

Nature of Proceedings: On November 15, 2005, the Office of Health Care Access ("OHCA") received the Certificate of Need ("CON") application of the Saint Mary's Hospital seeking authorization to establish the Wolcott Health and Wellness Center ("WHWC"), at 533 Wolcott Road, Wolcott, Connecticut, at a total proposed capital expenditure of \$122,350. The Hospital is a health care facility or institution as defined by Section 19a-630 of the Connecticut General Statutes ("C.G.S.").

Pursuant to Section 19a-638, C.G.S., a notice to the public concerning OHCA's receipt of the Hospital's Letter of Intent was published in the *Waterbury Republican American*, Waterbury on August 22, 2005. OHCA received no responses from the public concerning the Hospital's proposal. Pursuant to Public Act 05-75, three individuals or an individual representing an entity with five or more people had until December 6, 2005, the twenty-first calendar day following the filing of the Hospital's CON Application, to request that OHCA hold a public

hearing on the Hospital's proposal. OHCA received no hearing requests from the public by December 6, 2005.

OHCA's authority to review, approve, modify or deny this proposal is established by Section 19a-638, C.G.S. The provisions of this section, as well as the principles and guidelines set forth in Section 19a-637, C.G.S., were fully considered by OHCA in its review.

Findings of Fact

Clear Public Need

Impact of the Proposal on the Hospital's Current Utilization Statistics Proposal's Contribution to the Quality of Health Care Delivery in the Region Proposal's Contribution to the Accessibility of Health Care Delivery in the Region

1. Saint Mary's Hospital ("Hospital") is an acute care hospital located at 56 Franklin Street, Waterbury, Connecticut. *(October 25, 2005, Initial Certificate of Need Application Submission, page 3)*
2. The Hospital proposes to expand the physical therapy and sleep testing services of Saint Mary's Health and Wellness Center ("SMHWC") located at 1312 West Main Street in Waterbury to a satellite location in Wolcott. This new satellite center will be called The Wolcott Health and Wellness Center ("WHWC") located at 533 Wolcott Road in Wolcott. *(October 25, 2005, Initial Certificate of Need Application Submission, page 1)*
3. The current configuration of SMHWC is as follows:
 - Rehabilitation occupies approximately half of the 5,500 square feet of space at SMHWC,
 - The staff is comprised of six rehabilitation providers – three physical therapists, one physical therapist assistants and two occupational therapists,
 - There are 4 exam rooms to accommodate patients,
 - Sleep testing is provided in four sleep rooms seven nights per week, and
 - Staffing is set to accommodate four patients per night Sunday through Friday and two to four patients on Saturday.*(November 15, 2005, Supplemental Material Submitted, pages 1 & 2)*
4. The Hospital states that it will be renting approximately 3,000 square feet of space at 533 Wolcott Road for the proposed WHWC. The facility is situated with convenient first floor access. There will be separate areas for physical therapy, including a gym, and sleep services. The first floor location will provide drive up access for patients requiring wheel chair accessibility. Franklin Medical Group, PC, a subsidiary company of Saint Mary's Health System operates a medical walk-in center on the second floor in the same building. Additionally Peter Giacomazzi, M.D. has a primary care center practice located on the third floor. *(October 25, 2005,*

Initial Certificate of Need Application Submission, pages 16 & 17 February 14, 2006, Supplemental Certificate of Need Application Submission, page 2)

5. The Hospital's proposed service area consists of Wolcott and Waterbury as the primary service area and Plymouth as a secondary service area town. *(October 25, 2005, Initial Certificate of Need Application Submission, page 5)*
6. The WHWC will provide the following services:
 - A two-bed sleep laboratory, which will provide full-service sleep testing consisting of diagnostic polysomnography, split-night polysomnography and therapeutic polysomnography, and
 - Comprehensive outpatient physical therapy services, which will include the availability of three exam rooms and an open fitness area for patient rehabilitation. *(October 25, 2005, Initial Certificate of Need Application Submission, pages 1 & 4)*
7. The Hospital based the need for WHWC on the following:
 - Improved Patient Access to Service
 - Quality and Continuity of Care Improvements
 - Increased Utilization of Service*(October 25, 2005, Initial Certificate of Need Application Submission, page 2)*
8. The Hospital states that the development of the Wolcott satellite location is intended to alleviate the capacity constraints at SMHWC and provide better access to physical therapy and sleep testing services to Wolcott area residents. *(October 25, 2005, Initial Certificate of Need Application Submission, page 1)*
9. The Hospital states that the total capacity for the four sleep laboratory at 1312 West Main Street, Waterbury location is 1,000. The generally accepted standard among sleep professionals is to operate a sleep laboratory at 70% occupancy which maintains capacity for emergency appointments and enables the facility to accommodate staffing fluctuations and minimize overtime. Currently the sleep lab at the West Main location is operating at 80 to 85% occupancy. *(February 14, 2006, Supplemental Certificate of Need Application Submission, page 1)*
10. The Hospital also states that it can not offer new patients their first appointment for physical therapy services at the West Main Street, Waterbury location within 24 hours of their request which is considered an industry standard to accommodate new patients within 24 to 48 hours. *(November 15, 2005, Supplemental Certificate of Need Application Submission, page 2)*
11. The Hospital states that it has observed a 23% average annual growth rate from 2004 through February 2006 in the demand for sleep services at the West Main Street, Waterbury location. *(February 14, 2006, Supplemental Certificate of Need Application Submission, page 1)*

12. The Hospital states that the Physical Therapy services at 1312 West Main Street, Waterbury reached capacity in only five months time¹. (*October 25, 2005, Initial Certificate of Need Application Submission, page 6*)
13. The following table shows the number of visits for the physical therapy and sleep laboratory services at SMHWC for the past 3 years:

Table 1: Number of visits for the physical therapy and sleep laboratory services at SMHWC for the past 3 years

Service	2003	2004	2005
Physical Therapy (visits)	9,965	8,961	8,700*
Sleep Laboratory (visits)	405	594	800

*The decrease in physical therapy volume from 2004 and 2005 was directly related to three specific issues: staffing, scheduling and the relocation of services.
(*November 15, 2005, Supplemental Material Submitted, pages 1 & 2*)

14. In FY 2005, 8-10% of the current patients treated at the West Main Street, Waterbury location originated from the Wolcott and Plymouth accounting approximately 60 to 75 patients (annualized based on actual data through June 2005). OHCA can not verify the above data. (*October 25, 2005, Initial Certificate of Need Application Submission, page 6*)
15. The projected utilization statistics for WHWC for the next 3 years are listed below:
(*October 25, 2005, Initial Certificate of Need Application Submission, page 6*)

Table 2: Projected number of visits for the physical therapy and sleep laboratory at WHWC for the next 3 years

Service	Year 1	Year 2	Year 3
Physical Therapy (estimated visits)	1,875	3,000	3,450
Sleep Laboratory (visits)	74	117	156

Physical therapy visits based on:

- The average number of procedures per visit is three,
- The volume of current physical therapy patients forced to travel to SMHWC
- An estimated number of patients within a five mile radius of the new Wolcott location were then used to determine the estimated visit volume for Physical Therapy, and
- 5% of the total population is expected to require physical therapy services in any given year.

Sleep laboratory visits based on:

- The facility would operate one night per week in Year 1 and would average approximately 2 patients per week,
- In Year 2, a second night would be added to accommodate anticipated demand increases and would average 3 patients per week, and

¹ The relocation of physical therapy and sleep services from 56 Franklin Street, Waterbury to 1312 West Main Street, Waterbury occurred between December 30, 2004 and January 2, 2005. The facility was operational on January 3, 2005.

- By Year 3, it is assumed that the facility will accommodate approximately 4 patients per week.

OHCA can not verify the above projections.

16. The Hospital states that in FY 2003 5.4% of patients that received services at 1312 West Main Street, Waterbury location were residents of the town of Wolcott. In FY 2005 the percentage was 6.4%. (*February 14, 2006, Supplemental Certificate of Need Application Submission, page 1 & November 15, 2005, Supplemental Material Submitted, page 2*)
17. The following table shows the existing physical therapy and sleep lab providers in the proposed service area.

Table 3: Existing physical therapy and sleep lab facilities in the proposed service area

Description of Service	Provider Name and Location	Hours and Days of Operation
Physical Therapy	Advanced Physical Therapy, Wolcott	Monday 7am-7pm Tuesday 2pm-7pm Wednesday 7am-5pm Thursday 2pm-7pm Friday 7am-5pm
Physical Therapy	Waterbury Hospital, Waterbury	Unknown
Sleep Lab	Waterbury Hospital, Waterbury	Unknown

(*October 25, 2005, Initial Certificate of Need Application Submission, page 7 & February 14, 2006 Supplemental Certificate of Need Application Submission, page 1*)

18. New Britain General Hospital under Docket # 05-30561 is proposing to establish a Sleep lab in Bristol, CT.
19. The Hospital states that the existing physical therapy service in Wolcott is a privately-owned solo practice, with a reported backlog of patients and limited morning appointment availability. (*October 25, 2005, Initial Certificate of Need Application Submission, page 6*)
20. The Hospital states that it operates another facility Saint Mary's Naugatuck Physical Therapy, at 799 New Haven Road in Naugatuck. This satellite facility began operation in 2001 and provides rehabilitation services to patients residing in Naugatuck and Prospect. Approximately 1% of the patients treated at the Naugatuck location reside in Wolcott. (*February 14, 2006, Supplemental Certificate of Need Application Submission, page 2 & November 15, 2005, Supplemental Material Submitted, pages 1 & 2*)
21. The Hospital states that the proposed location will comply with all standards of practice, policies and procedures, and patient care practices at Saint Mary's Hospital. In addition, the proposed sleep facility has applied for certification from the American Academy of Sleep Medicine, which ensures strict adherence to the

current standard of care available for sleep testing. (October 25, 2005, Initial Certificate of Need Application Submission, pages 1 & 2)

22. The hours of operation for the proposed WHWC are:
- Physical Therapy: Monday through Friday, 8am to 4:30pm
 - Sleep Laboratory: One to two nights per week, 7pm to 7am
- (October 25, 2005, Initial Certificate of Need Application Submission, pages 7)

**Financial Feasibility of the Proposal and its Impact on the Hospital's
Rates and Financial Condition
Impact of the Proposal on the Interests of Consumers of Health Care
Services and Payers for Such Services
Consideration of Other Section 19a-637, C.G.S. Principles and Guidelines**

23. The proposal includes the following cost components:

Table 4: Total Proposed Capital Expenditure

Component	Cost
Medical Equipment (Purchase)	\$80,000
Non-Medical Equipment	\$21,350
Construction/Renovation	\$21,000
Total Capital Expenditure	\$122,350

(October 25, 2005, Initial Certificate of Need Application Submission, pages 16)

24. The proposed capital expenditure of \$122,350 for the CON proposal will be financed entirely through Hospital operating funds. (October 25, 2005, Initial Certificate of Need Application Submission, pages 16)
25. The proposed project schedule is as follows:

Table 5: Proposed Project Schedule

Description	Date
Construction Commencement Date	January 1, 2006
Construction Completion Date	March 1, 2006
DPH Licensure Date	N/A
Commencement of Operations Date	April 1, 2006

(October 25, 2005, Initial Certificate of Need Application Submission, page 17)

26. The Hospital projects incremental gains from operations related to the proposal of \$47,000 for FY 2006, \$139,000 for FY 2007 and \$243,000 for FY 2008. (October 25, 2005, Initial Certificate of Need Application Submission Financial Proforma page 152)

27. The Hospital's projected payer mix during the first three years of operation of the Center is as follows:

Table 6: Three-Year Projected Payer Mix with the CON Proposal

Payer Mix	Current Payer Mix	Year 1	Year 2	Year 3
Medicare	48.0%	48.0%	48.0%	48.0%
Medicaid	17.5%	17.5%	17.5%	17.5%
TriCare (CHAMPUS)	0.2%	0.2%	0.2%	0.2%
Total Government	65.7%	65.7%	65.7%	65.7%
Commercial Insurers	30.6%	30.6%	30.6%	30.6%
Uninsured	0.2%	0.2%	0.2%	0.2%
Workers Compensation	3.5%	3.5%	3.5%	3.5%
Total Non-Government	34.3%	34.3%	34.3%	34.3%
Total Payer Mix	100.0%	100.0%	100.0%	100.0%

(October 25, 2005, Initial Certificate of Need Application Submission, pages 19)

28. There is no State Health Plan in existence at this time. *(October 25, 2005, Initial Certificate of Need Application Submission, pages 4)*
29. The Hospital has adduced evidence that this proposal is consistent with the Hospital's long-range plan. *(October 25, 2005, Initial Certificate of Need Application Submission, pages 4)*
30. The Hospital has improved productivity and contained costs through group purchasing, energy conservation, product standardization, pharmacy standardization, utilization and inventory control. *(October 25, 2005, Initial Certificate of Need Application Submission, pages 13)*
31. This proposal will not result in changes to the Hospital's teaching and research responsibilities. *(October 25, 2005, Initial Certificate of Need Application Submission, pages 13)*
32. The Hospital states that the current patient/physician mix will not change. *(October 25, 2005, Initial Certificate of Need Application Submission, pages 13)*
33. The Hospital has sufficient technical and managerial competence to provide efficient and adequate service to the public. *(October 25, 2005, Initial Certificate of Need Application Submission, pages 11)*
34. The Hospital's rates are sufficient to cover the proposed capital expenditure and operating costs associated with the proposal. *(October 25, 2005, Initial Certificate of Need Application Submission, pages 152)*

Rationale

The Office of Health Care Access ("OHCA") approaches community and regional need for the proposed service on a case by case basis. Certificate of Need ("CON") applications do not lend themselves to general applicability due to a variety of complexity 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 proposed services.

Saint Mary's Hospital ("Hospital") proposes to expand the physical therapy and sleep testing services of Saint Mary's Health and Wellness Center ("SMHWC") located at 1312 West Main Street in Waterbury to a satellite location in Wolcott. This new satellite center will be called The Wolcott Health and Wellness Center ("WHWC") located at 533 Wolcott Road in Wolcott. WHWC will provide the same services as SMHWC. WHWC will offer a two-bed sleep laboratory and provide full-service sleep testing which consists of diagnostic polysomnography, split-night polysomnography and therapeutic polysomnography. Comprehensive outpatient physical therapy services will be provided and include the availability of three exam rooms and an open fitness area for patient rehabilitation.

The Hospital based the need to establish the WHWC on several factors: improving patient access to services, quality and continuity of care and increasing utilization of services. The Hospital stated that SMHWC is operating at capacity. The Hospital states that the total capacity for the four-bed sleep laboratory at 1323 West Main Street, Waterbury location is 1,000 visits. The generally accepted standard among sleep professionals is to operate a sleep laboratory at 70% occupancy which maintains capacity for emergency appointments and enables the facility to accommodate staffing fluctuations and minimize overtime. Currently the sleep lab at the West Main Street, Waterbury location is operating at 80 to 85% occupancy. The Hospital also states that it can not offer new patients their first appointment for services at the West Main Street, Waterbury location within 24 hours of their request which is considered an industry standard to accommodate new patients within 24 to 48 hours. The development of the Wolcott satellite location is intended to alleviate the capacity constraints at West Main Street, Waterbury and provide better access to physical therapy and sleep testing services to Wolcott area residents. The actual number of physical therapy visits at SMHWC was 9,965 in FY 2003, 8,961 in FY 2004 and 8,700 in FY 2005. The actual number of sleep studies at SMHWC was 405 in FY 2003, 594 in FY 2004 and 800 in FY 2005. Based on the foregoing reasons, OHCA finds that the CON proposal will improve both the quality and accessibility of the proposed services to the residents of the proposed service area.

The total capital cost for the CON proposal is \$122,350. The project will be financed entirely through Hospital operating funds. The Hospital projects an incremental gain from operations related to the proposal of \$47,000 for FY 2006, \$139,000 for FY 2007 and \$243,000 for FY 2008. Although OHCA cannot draw any conclusions, the Hospital's volume and financial projections upon which they are based appear to be

reasonable and achievable. Therefore, OHCA finds that the CON proposal is both financially feasible and cost effective.

Based on the foregoing Findings and Rationale, the Certificate of Need application of Saint Mary's Hospital to establish the Wolcott Health and Wellness Center, at 533 Wolcott Road, Wolcott, Connecticut, at a total capital expenditure of \$122,350, is hereby GRANTED.

Order

NOW, THEREFORE, the Office of Health Care Access (“OHCA”) and Saint Mary’s Hospital (“Hospital”) hereby stipulate and agree to the terms of settlement with respect to the establishment of Wolcott Health and Wellness Center in Wolcott, at a total proposed capital expenditure of \$122,350, as follows:

1. The CON to establish Wolcott Health and Wellness Center at 533 Wolcott Road, Wolcott, Connecticut, at a total proposed capital expenditure of \$122,350, is hereby approved.
2. The Hospital shall provide physical therapy and sleep lab services at the Wolcott location.
3. If the Hospital proposes to change the ownership, services offered or location of the Wolcott Health and Wellness Center, a CON Determination shall be filed with OHCA.
4. If the Hospital proposes to increase the number of sleep lab rooms over the 2 that are authorized at the Wolcott Health and Wellness Center, a CON Determination shall be filed with OHCA.
5. The Hospital shall provide to OHCA a listing of the number of patients utilizing the physical therapy and sleep lab services by patient zip code and payor source on a yearly basis for two (2) years. The first reporting period is to be reported on January 31, 2007, for 2006. The second reporting period is to be reported on January 31, 2008, for 2007. Patient name, medical record number or other identifiers are to be omitted.
6. OHCA and Saint Mary’s Hospital agree that this Agreed Settlement represents a final agreement between OHCA and Saint Mary’s Hospital with respect to this request. The signing of this Agreed Settlement resolves all objections, claims and disputes, which may have been raised by the Applicants with regard to Docket Number 05-30571-CON.
7. This Agreed Settlement is an order of the Office of Health Care Access with all the rights and obligations attendant thereto, and the Office of Health Care Access may enforce this Agreed Settlement pursuant to the provisions of Sections 19a-642 and 19a-653 of the Connecticut General Statutes at Saint Mary’s expense, if the Applicants fail to comply with its terms.

February 27, 2006^^

Date

Signed by Robert Ritz

Duly Authorized Agent for
Saint Mary's Hospital

The above Agreed Settlement is hereby accepted and so ordered by the Office of Health Care Access on February 27, 2006.

Date Signed:
February 27, 2006

Signed by:
Cristine A. Vogel
Commissioner
Office of Health Care Access

CAV:pf