



Office of Health Care Access
Modification of Previously
Authorized Certificate of Need
Final Decision

Applicant: Gaylord Hospital, Inc.

Modification Docket Number: 07-30808-MDF

Modification Project Title: A request to modify a previously authorized Certificate of Need to increase the authorized capital expenditure

Original Project Docket Number and Title: Docket Number 06-30808-CON;
An increase in bed capacity from 109 to 137 licensed beds and the construction of a new patient building

Statutory Reference: Sections 4-181a(b), Connecticut General Statutes

Filing Date: June 29, 2007

Decision Date: August 1, 2007

Staff: Karen Roberts

Project Description: Gaylord Hospital, Inc. proposes a modification of the Certificate of Need (“CON”) authorization issued under Docket Number 06-30808-CON in order to increase the authorized capital expenditure by \$299,922, from \$21,181,537 to \$21,481,459.

Findings of Fact

1. On February 7, 2007, the Office of Health Care Access (“OHCA”) granted a Certificate of Need (“CON”) to Gaylord Hospital, Inc. (“Hospital”) to increase its licensed bed capacity from 109 licensed beds to 137 licensed beds and to construct a new patient care building on its campus on Gaylord Farms Road in Wallingford, pursuant to Section 19a-638 and 19a-639 of the Connecticut General Statutes. (*CON issued under DN06-30808-CON*)

2. Condition #2 of the CON Order states the following:

“The Hospital shall not exceed the approved total capital expenditure of \$21,181,537. In the event that the Hospital learns of potential cost increases or expects that final project costs will exceed those approved, the Hospital shall file with OHCA a request for approval of the revised CON project budget.”
(CON issued under DN 06-30808-CON)

3. On June 29, 2007, OHCA received the Hospital’s request for an increase in the authorized total capital expenditure, by \$299,922, from \$21,181,537 to \$21,481,459. *(July 29, 2007 Modification Request under DN 07-30808-MDF)*
4. The Hospital indicates that the increased cost is primarily associated with three items not originally planned for in the construction budget submitted with the original CON filing.

a) **\$100,000 for temporary swing space**

Authorized renovations for the Luscomb building necessitate relocating 40 inpatient therapists until construction is complete. Placing these therapists temporarily within the current hospital building has been determined to be unsuitable. The Hospital estimates a \$100,000 expense associated with the relocation of this staff using a modular configuration for approximately 6 to 9 months until construction is completed.

b) **\$175,000 for Sewer Upgrade**

During the permitting phase (February – March, 2007), the Town of Wallingford determined that a public sewer line (approximately 2 miles from the Hospital) was not able to accommodate the increased capacity of the 35 bed addition. As a condition of the town’s approval, the Hospital must pay for the sewer upgrade at an estimated cost of \$175,000. This information was not available to the Hospital at the time of the CON filing.

c) **\$50,000 for Interim Parking**

As part of the interim construction project, the Hospital needed to expand additional surface parking to compensate for the 31 spaces to be lost during construction. At the time of the CON, the Hospital anticipated using a Gaylord-owned lot across from the main campus. It has subsequently been determined that the location is inappropriate for staff parking primarily due to safety concerns. The \$50,000 cost includes tree removal, excavating, leveling, paving and other associated costs to expand an existing parking area to accommodate the increased parking spaces.

(Pages 2-3 of the July 29, 2007 Modification Request under DN 07-30808-MDF)

5. The Hospital will use CHEFA financing to cover the proposed increased capital expenditure. *(Page 4 of the modification request received on June 29, 2007)*

6. In addition to the increased costs discussed in Finding #4, above, the Hospital has readjusted its project costs between the two cost component categories, Medical Equipment and Non-Medical Equipment. The medical equipment category has been decreased by \$720,250 and the non-medical equipment category has been increased by \$694,216, with a net impact of \$(26,034). This is primarily due to better pricing discounts assumed through the new group purchasing vendor, VHA. *(Page 3 of the July 29, 2007 Modification Request under DN 07-30808-MDF)*
7. The following table demonstrates the overall cost increases and decreases on the original cost component breakdown:

TABLE 1: ORIGINAL AND PROPOSED TOTAL CAPITAL COST:

Cost Component	Original Cost	Incremental Increase/(Decrease)	Proposed Modified Cost
Construction and Renovation	\$19,492,242	\$325,956	\$19,818,198
Medical Equipment	1,389,295	\$(720,250)	\$669,045
Non-medical Equipment	300,000	\$694,216	\$994,216
Total Capital Expenditure	\$21,181,537¹	\$299,922	\$21,481,459

(CON authorization under DN 06-30808-CON and Page 3 of the July 29, 2007 Modification Request under DN 07-30808-MDF)

8. The Hospital broke ground on June 19, 2007 for the new 36 bed patient pavilion. The ambulance entrance has been relocated and construction crews have reconfigured the Hooker Ground entrance and driveway to accommodate patient transportation and admissions. The Hospital indicates that it is on schedule in terms of its construction timeline. *(Page 5 of the modification request received on June 29, 2007)*
9. On July 31, 2007, after a public comment period, OHCA granted a waiver of public hearing related to this modification request, as the CON authorization issued under Docket Number 06-30808-CON, was a contested case exceeding \$20,000,000. *(July 31, 2007 OHCA waiver of public hearing)*

Discussion

OHCA has reviewed this request for a modification to a previously authorized CON and finds that the relationship of the CON authorized under Docket Number 06-30808-CON to Section 19a-637 of the Connecticut General Statutes, is not significantly altered by this request for a modification under Docket Number 07-30808-MDF. The modification proposal does not alter the scope or timeframe for the project originally reviewed and acted upon by OHCA and the increased costs appear to be for circumstances that were unanticipated by the Hospital at the time of the original CON filing. The request for an additional \$299,922 appears to be reasonable.

¹ This amount does not reflect project related capitalized financing costs.

Order

Based on the above, OHCA hereby grants a modification of the Certificate of Need authorized under Docket Number 06-30808-CON. Condition #2 of the Certificate of Need Order under Docket Number 06-30808-CON is modified to state the following:

2. The Hospital shall not exceed the approved total capital expenditure of \$21,481,459. In the event that the Hospital learns of potential cost increases or expects that final project costs will exceed those approved, the Hospital shall file with OHCA a request for approval of the revised CON project budget.

All other conditions set forth in the final decision issued under Docket Number 06-30808-CON not modified herein, will remain in full effect.

By Order of the
Office of Health Care Access

Signed by Commissioner Vogel on August 1, 2007

Date

Cristine A. Vogel
Commissioner

CAV/kr