



Office of Health Care Access Certificate of Need Application

Final Decision

Hospital:	Hospital of Saint Raphael
Docket Number:	07-30878-CON
Project Title:	Establish and Operate Satellite Offices for Ob/Gyn and Pediatric Outpatient Services by the Hospital's Faculty Practice Plan
Statutory Reference:	Section 19a-638, C.G.S.
Filing Date:	June 14, 2007
Decision Date:	August 30, 2007
Default Date:	September 12, 2007
Staff:	Laurie K. Greci

Project Description: The Hospital of Saint Raphael ("Hospital") proposes to establish satellite offices for the Hospital's Faculty Practice Plan to provide obstetric, gynecological, and pediatric primary care services in Branford and Shelton at an associated capital expenditure of \$109,227.

Nature of Proceedings: On June 14, 2007, the Office of Health Care Access ("OHCA") received the Certificate of Need ("CON") application of the Hospital to establish satellites offices for the Hospital's Faculty Practice Plan to provide obstetric, gynecological, and pediatric primary care services in Branford and Shelton at an associated capital expenditure of \$109,227. The Hospital 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 regarding OHCA's receipt of the Hospital's Letter of Intent to file its CON Application was published in the *New Haven Register* on January 14, 2007. OHCA received no responses from the public concerning the Hospital's proposal.

Pursuant to Section 19a-638, C.G.S., three individuals, or an individual representing an entity with five or more people, had until, 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.

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

Clear Public Need

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

1. The Hospital of Saint Raphael ("Hospital") is a 511 licensed bed general acute care teaching hospital located at 1450 Chapel Street, New Haven, Connecticut. (*January 4, 2007, page 4*)
2. The Hospital has recently established a Faculty Practice Plan ("FPP") which provides a business model for physician billing and reimbursement. Under the Hospital's FPP model, physicians and other practitioners are employed by the Hospital, but bill for professional services under a separate tax identification number that is specifically for the FPP. The FPP is not a separately incorporated entity. (*November 26, 2006, CON Determination Form 2020, Attachment 1*)
3. The FPP is a department of the Hospital and operates through an administrative council consisting of the Clinical Chairman of the various clinical departments in the Hospital, the Chief Operating Officer of the Hospital, and the Medical Director of the FPP, and the Administrative Director of the FPP. (*May 16, 2007, Initial CON Submission, pages 24 and 25*)
4. The Hospital provides comprehensive healthcare services for women and children that are coordinated through its Department of Women's and Children's Services. Outpatient Ob/Gyn ("Ob/Gyn") services provided include prenatal and postnatal care, midwifery services, wellness, and general gynecology. Outpatient primary care pediatric services include well-child care, immunizations, developmental screenings, as well as the treatment of acute and chronic medical conditions. Outpatient services are currently provided in both physician office and clinic settings on the Hospital's main campus. The Hospital also provides comprehensive ob-gyn services and inpatient pediatric services. (*May 16, 2007, Initial CON Submission, pages 2, 3 and 11*)

5. The Hospital proposes to establish two satellite offices for FPP physicians and other practitioners to provide Ob/Gyn and pediatric services. The proposed locations are:
 - a. 84 North Main Street, Branford, CT; and
 - b. 4 Armstrong Road, Shelton, CT.*(May 16, 2007, Initial CON Submission, page 3)*
6. The primary service area for the Branford location is the town of Branford. The secondary service area will be comprised of the towns of Clinton, East Haven, Guilford, Madison, and North Branford. *(June 14, 2007, Completeness Response, pages 3, 4, and 6)*
7. The primary service area for the Shelton location is the town of Shelton. The secondary service area will be comprised of the towns of Ansonia, Bethany, Derby, Milford, Orange, Oxford, Seymour, and Woodbridge. *(June 14, 2007, Completeness Response, pages 3, 4, and 6)*
8. The Hospital stated that its proposal would provide accessible and convenient outpatient services for women and children. The FPP physicians and midwives will provide prenatal and postnatal care, midwifery services, wellness, general gynecology, and primary care pediatrics at each location. *(May 16, 2007, Initial CON Submission, page 3)*
9. The Hospital based the need for the proposal in that it will provide patients at the two locations access to the full range of the Hospital's health care capabilities, including services available through the FPP, social services, and information about community resources. *(May 16, 2007, Initial CON Submission, pages 3 and 12)*
10. The Hospital stated that Ob/Gyn services and pediatric services location together will provide a full continuum of care for women and children. *(May 16, 2007, Initial CON Submission, pages 3 and 12)*
11. Prior to joining the FPP, the proposal's physicians and midwife providers practiced as members of physician groups in Branford, New Haven, and Trumbull. Economic pressures, including the cost of malpractice insurance, led these practitioners to join the FPP. As members of the FPP they are Hospital employees and covered by the Hospital's malpractice insurance. *(May 16, 2007, Initial CON Submission, page 4)*
12. The following table lists the FPP practitioners that will provide the services at the proposed locations. The FPP practitioners currently provide services at offices near the Hospital's main campus in New Haven. In addition, the office addresses of the locations where the physicians and midwives no longer practice are listed.

Table 1: FPP Providers for the Proposed Branford and Shelton Locations

Service	FPP Provider Names	Previous Practice Locations
Ob/Gyn	Anita Petruzzelli, MD	144 North Main Street, Branford 416 Highland Avenue, Cheshire 105 Wall Street, Madison 180 Sherman Avenue, New Haven
	Erin Morelli, CNM	5520 Park Avenue, Trumbull
	Melanie Albright, CNM	
	Nancy DeGennaro, CNM	
	Stacey Smalley, CNM	136 Sherman Avenue, New Haven 420 East Main Street, Branford 675 South Main Street, Cheshire 7 Meigs Avenue, Madison 326 West Main Street, Milford
	Parvin Kasraian, CNM	Yale-New Haven Faculty, New Haven
Pediatrics	Maryellen Flaherty-Hewitt, MD	1450 and 1451 Chapel Street, New Haven
	Richard Young, MD	
	Shilpa Pai, MD	
	Elizabeth Bailey, MD	
	Annette Cameron, MD	
	Stephen Maddox, MD	Bellevue Hospital, New York, NY

(June 14 2007, Completeness Response, pages 2 and 3)

13. The Hospital reported the following number of patients by town for the existing FPP's obstetricians, midwives, and pediatricians in FY 2006:

Table 2: Patients of FPP Obstetrician, Midwives, and Pediatricians

Location	Service Area Town	Number of Existing Patients
Branford	Branford	260
	Clinton	10
	Guilford	74
	Madison	22
	North Branford	43
	Total for Branford Location	409
Shelton	Ansonia	48
	Bethany	30
	Derby	31
	Milford	97
	Orange	39
	Oxford	24
	Seymour	38
	Shelton	108
	Woodbridge	33
	Total for Shelton Location	448

(May 16, 2007, Initial CON Submission, page 5)

14. The Hospital projects the following number of outpatient Ob/Gyn visits by location and fiscal year:

Table 3: Projected Outpatient Ob/Gyn Visits and Inpatient Services

Location	Service	FY 2008	FY 2009	FY 2010
Branford	Gynecology Visits	1,234	1,726	1,817
	Prenatal Ultrasound Visits	120	167	200
	Branford Total Outpatient Visits	1,354	1,893	2,017
	Normal Vaginal Deliveries	47	65	78
	C-section Deliveries	13	18	22
	Gynecological Surgeries	30	34	38
	Branford Total Inpatient Services	90	117	138
Shelton	Gynecology Visits	1,234	1,726	1,817
	Prenatal Ultrasound Visits	120	167	200
	Shelton Total Outpatient Visits	1,354	1,893	2,017
	Normal Vaginal Deliveries	47	65	78
	C-section Deliveries	13	18	22
	Gynecological Surgeries	30	34	38
	Shelton Total Inpatient Services	90	117	138

(June 14, 2007, Completeness Response, page 8)

15. The Hospital based its projections for Ob/gyn volumes in FYs 2008, 2009, and 2010 on the following:
- The average number of gynecological visits per patient is 2 visits per year;
 - A goal of delivering 5 to 7 patients per month per midwife;
 - 20% of midwife obstetrical patients will require a c-section under the physician; and
 - Assumes a 10% growth year in the second and third year based on the historical experience of the practitioners' prior private practices.
- (May 16, 2007, Initial CON Submission, pages 45 to 47)*

16. The Hospital projects that the following number of visits will be provided to established patients and new patients for the outpatient pediatric primary care, by location and fiscal year:

Table 4: Projected Outpatient Pediatric Primary Care Visits

Location	Assumption	FY 2008	FY 2009	FY 2010
Branford	Number of Established Patients	451	537	651
	Percent to Continue with FPP Provider	90%	90%	90%
	Adjusted Established Patient Base	496	483.3	585.9
	Established Patients Visits	1,023	1,218	1,476
	Newborn Patients	60	83	100
	Percent to Continue with FPP Provider	90%	90%	90%
	Adjust Newborn Patient Base	54	75	90
	Newborn Patient Visits	378	525	630
	New Patients	26	31	38
	New Patient Visits	66	78	96
	Branford Location Total Visits	1,467	1,821	2,202
Shelton	No. of Established Patients	400	508	648
	Percent to Continue with FPP Provider	90%	90%	90%
	Adjusted Established Patient Base	360	455.4	583.2
	Established Patients Visits	907	1,148	1,470
	Newborn Patients	60	83	100
	Percent to Continue with FPP Provider	90%	90%	90%
	Adjust Newborn Patient Base	54	75	90
	Newborn Patient Visits	378	525	630
	New Patients	46	59	75
	New Patient Visits	116	149	189
	Shelton Location Total Visits	1,401	1,822	2,289

(May 16, 2007, Initial CON Submission, pages 47 and 48)

17. The Hospital based its projections for outpatient pediatric visits on an age-adjusted visit rate for children aged 0 to 21 years of age is 2.52 visits per patient per year¹. (May 16, 2007, Initial CON Submission, page 48)
18. Professional fees will be billed by the physicians and the midwives. The Hospital is not entitled to bill for technical fees, as these services will be rendered in a physician office setting and not as an acute care hospital operation. (May 16, 2007, Initial CON Submission, page 26)
19. Each location will be open on weekdays from 8 a.m. to 5 p.m. The Shelton office will be open 2 Saturdays per month from 8 a.m. to 12 p.m. and the Branford office will be open on Saturdays from 8 a.m. to 12 p.m. by appointment. The practitioners will be on call 24 hours per day, 7 days per week. Midwives will have offices hours until 7 p.m. 2 days per week. (May 16, 2007, Initial CON Submission, page 15)

¹ Source: American Academy of Pediatrics.

20. When a patient requires ambulance transportation to a hospital in case of an emergency or impending childbirth, the staff will call 911. The patient's condition and the patient's physician/midwife preference will be considered by the highest ranking emergency medical person responding to the call in determining to which hospital a patient will be transported. *(June 14, 2007, Completeness Response, pages 9 and 10)*

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

21. The proposal has an associated capital expenditure of \$109,227, consisting of \$94,462 for medical equipment and \$14,765 for non-medical equipment. *(May 16, 2007, Initial CON Submission, page 27)*
22. The Hospital will lease existing medical office space at each location. *(May 16, 2007, Initial CON Submission, page 27)*
23. The Hospital projects the following gain from operations, including outpatient visits and inpatient admission, for FYs 2008, 2009, and 2010 with the proposal:

Table5: Projected Gain from Operations by Fiscal Year

		FY 2008	FY 2009	FY 2010
Net Patient Revenue	Medicare	\$ 63,131	\$75,542	\$ 88,222
	Medicaid	272,005	376,877	458,814
	Non-Government	1,414,809	1,915,409	2,317,752
	Total	\$1,749,945	\$2,367,828	\$2,864,788
Operating Expenses	Salaries and Professional Service	\$ 903,877	953,839	\$ 977,677
	Supplies and Drugs	120,164	\$ 167,880	177,120
	Lease	62,094	62,094	62,094
	Bad Debt	69,922	94,410	116,124
	Other	381,845	506,485	618,888
	Total	1,537,901	1,784,708	\$1,971,903
Projected Gain from Operations		\$ 212,044	\$ 583,120	\$ 892,885

(May 16, 2007, Initial CON Submission, page 295)

24. The Hospital reported the following payer mix for the first three years of operation of the proposal based on the proposal's projected net patient revenue; the current year payer mix is based on the Hospital's total net patient revenue:

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

Payer Description	Current	FY 2008	FY 2009	FY 2010
Medicare (including managed care)	55.7%	3.7%	3.2%	3.1%
Medicaid (including managed care)	7.7%	15.9%	16.2%	16.3%
CHAMPUS and TriCare	0.1%	0%	0%	0%
Total Government	63.5%	19.6%	19.4	19.4%
Commercial Insurers	32.7%	80.2%	80.2%	80.2%
Uninsured	1.4%	0.2%	0.2%	0.2%
Workers Compensation	2.4%	0%	0%	0%
Total Non-Government	36.5%	80.4%	80.4%	80.4%
Total Payer Mix	100%	100%	100%	100%

(May 16, 2007, Initial CON Submission, page 29 and 296)

25. The Hospital provides care to all patients regardless of their ability to pay. The charitable mission of the Hospital will apply to the proposed satellite offices in Branford and Shelton. *(June 14, 2007, Completeness Response, page 10)*
26. There is no State Health Plan in existence at this time. *(May 16, 2007, Initial CON Submission, page 2)*
27. The Hospital stated that this proposal is consistent with its long-range plan. *(May 16, 2007, Initial CON Submission, page 2)*
28. The Hospital has improved productivity and contained costs in the past year by the application of energy conservation and technology and group purchasing. *(May 16, 2007, Initial CON Submission, page 22)*
29. The proposal will not result in any change to the Hospital's research and teaching responsibilities. *(May 16, 2007, Initial CON Submission, page 232)*
30. There are no distinguishing characteristics of the Hospital's patient/physician mix that make the proposal unique. *(May 16, 2007, Initial CON Submission, page 23)*
31. The Hospital has sufficient technical and managerial competence and expertise to provide efficient and adequate service to the public. *(May 16, 2007, Initial CON Submission, Attachment 6)*
32. The Hospital's rates are sufficient to cover the operating costs associated with the proposal. *(May 16, 2007, Initial CON Submission, page 296)*

Rationale

The Office of Health Care Access (“OHCA”) approaches community and regional need for Certificate of Need (“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.

The Hospital of Saint Raphael (“Hospital”) is a 511 licensed bed general acute care teaching hospital located at 1450 Chapel Street, New Haven, Connecticut. The Hospital recently established a Faculty Practice Plan (“FPP”) to provide a business model for physician billing and reimbursement. The FPP is a department of the Hospital. Economic pressures, including the cost of malpractice insurance, had led many practitioners to join the FPP. Under the Hospital’s FPP model, physicians and other practitioners are employed by the Hospital and bill for professional services under a separate tax identification number for the FPP. Also, as Hospital employees, the physicians are covered under the Hospital’s malpractice insurance.

The Hospital proposes to establish two satellite offices for its FPP providers of obstetrics and gynecology (“Ob/Gyn”) and pediatric primary care services. The proposed locations are 84 North Main Street in Branford and 4 Armstrong Road in Shelton. Outpatient obstetric and gynecological (“Ob/Gyn”) services provided by the Hospital and the FPP include prenatal and postnatal care, midwifery services, wellness, and general gynecology. Outpatient primary care pediatric services include well-child care, immunizations, developmental screenings, as well as the treatment of acute and chronic medical conditions. Outpatient services are currently provided in physician offices and clinic settings on the Hospital’s main campus.

Prior to joining the FPP, the physicians and midwife providers involved in the proposal practiced as members of physician groups in Branford, New Haven, and Trumbull. With this proposal, these physicians and certified nurse midwives will be able to provide services to patients that they had cared for in their private practices prior to becoming a physician in the FPP. By providing Ob/Gyn services and pediatric primary care services at the same location, the FPP physicians will provide a full continuum of care for women and their children.

OHCA finds that the Hospital has demonstrated need to establish the two satellite locations. Having the Hospital’s FPP physicians and other practitioners, notably the certified nurse midwives, will improve both the accessibility and quality of Ob/Gyn and pediatric services for existing patients and other residents residing in the proposed service areas. Patients receiving care at the two locations will also have access to the full range of the Hospital’s health care capabilities, including other physicians in the FPP, social services, and information about community resources.

The total capital expenditure of \$109,227 for the CON proposal will be financed with the Hospital's equity from operations. With the proposal, the Hospital projects incremental operating gains of \$212,044, \$583,120, and \$892,885 in FYs 2008, 2009, and 2010, respectively. The Hospital's volume and financial projections upon which they are based appear to be reasonable and achievable.

Order

Based on the foregoing Findings and Rationale, the Certificate of Need application of The Hospital of Saint Raphael ("Hospital") to provide obstetric, gynecological, and pediatric primary care services at 84 North Main Street, Branford and 4 Armstrong Road, Shelton, at an associated capital expenditure of \$109,227, is hereby APPROVED, subject to the following conditions:

1. This authorization expires on August 30, 2008. Should the Hospital's proposal not be completed by that date, the Hospital must seek further approval from OHCA to complete the project beyond that date.
2. The Hospital shall not exceed the approved total capital cost of \$109,227. In the event that the Hospital learns of potential cost increases or expects that final project costs will exceed those approved, the Hospital shall notify OHCA immediately.
3. The Hospital must report date of the commencement of operations, in writing, for each service location to OHCA within one month of the commencement date.
4. Should the Hospital propose any change in the array of health care services to be provided at each service location, the Hospital shall file with OHCA appropriate documentation regarding its change, including either a Certificate of Need Determination Request or a Certificate of Need Letter of Intent.

Should the Hospital fail to comply with any of the aforementioned conditions, OHCA reserves the right to take additional action as authorized by law.

All of the foregoing constitutes the final order of the Office of Health Care Access in this matter.

By Order of the
Office of Health Care Access

August 30, 2007

Date

Signed by Commissioner Vogel

Cristine Vogel
Commissioner