



Office of Health Care Access

Modification of a Previously Authorized Certificate of Need

Applicant: Saint Francis Hospital and Medical Center

Modification Docket Number: 07-30797-MDF

Modification Request Project Description: A request to modify Docket Number 06-30797-CON to increase the authorized capital expenditure by \$60,739,697, from \$123,657,659 to \$184,397,356

Original Project Docket Number and Title: Docket Number 06-30797-CON: North Tower Construction and Facilities Modernization Project

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

Modification Filing Date: November 30, 2007

Date Hearing Waived: January 3, 2008

Decision Date: January 30, 2008

Staff: Karen Roberts
Alexis Fedorjaczenko

Project Description: The Certificate of Need (“CON”) issued under Docket Number 06-30797-CON granted authorization to Saint Francis Hospital and Medical Center (“Hospital”) to undertake a facility renewal and expansion project, including the construction of a new North Tower that will enable the Hospital to expand and redesign the Emergency Department, replace existing medical-surgical beds, replace the Surgical Services Areas and perform other specified facility improvements, at a total capital expenditure of \$123,657,659.

Under Docket Number 07-30797-MDF, the Hospital requests a modification of the CON authorization under Docket Number 06-30797-CON, in order to increase the authorized total capital expenditure by \$60,739,697, from \$123,657,659 to \$184,397,356.

Findings of Fact

1. On March 9, 2007, under Docket Number 06-30797-CON, OHCA granted a Certificate of Need (“CON”) to Saint Francis Hospital and Medical Center (“Hospital”) to undertake a facility renewal project which includes the construction of a new North Tower that will enable the Hospital to expand and redesign the Emergency Department, replace existing medical-surgical beds, replace the surgical services areas and perform other facility improvements, at a total capital expenditure of \$123,657,659.
(March 9, 2007, Final Decision for Docket Number 06-30797-CON)

2. Conditions #2, #4 and #5 of the CON authorization issued by OHCA under Docket Number 07-30797-CON are as follows:
 - “2. *The Hospital shall not exceed the approved capital expenditure of \$123,657,659. In the event that the Hospital learns of potential cost increases or expects that the final project costs will exceed those approved, the Hospital shall file with OHCA a request for approval of the revised Certificate of Need (“CON”) project budget.*”
 - “4. *The Hospital is authorized to replace 108 medical-surgical inpatient beds. The project will allow for the increase of 53 staffed medical-surgical beds, from the current level of 371 beds to a proposed complement of 424 medical-surgical inpatient beds. This increase in staffed medical-surgical beds will not affect the Hospital’s existing licensed capacity, which will continue to operate at a total of 617 general hospital beds and 65 bassinets.*”
 - “5. *The Hospital is authorized to replace 17 operating room suites in its existing operating room and to add 2 new operating room suites that will result in a complement of 19 new operating suites in the proposed North Tower. The new surgical services area will also contain shell space for two additional operating room suites that will be reserved for future surgical services operation.
The Hospital will continue to operate 6 outpatient operating room suites in the Patient Care Tower and 3 operating room suites as part of its surgicare program located at the Mount Sinai campus. The total number of Hospital surgical suites at the conclusion of the project will increase by 2, from 26 to 28 operating suites.*”
(March 9, 2007, Final Decision for Docket Number 06-30797-CON)

3. In the Final Decision issued under Docket Number 06-30797-CON, OHCA determined that:
 - *“Based upon the evidence presented, the Hospital has demonstrated a need for the proposed inpatient medical-surgical services replacement and staffed bed expansion as well as plant improvements through the planned service relocations and facility upgrades”*
 - *“Based upon the evidence presented, OHCA finds that the Hospital has provided sufficient evidence to support the need for a new Operating Room and expanded Post Ambulatory Care Unit”; and*
 - *“Although OHCA can not draw any conclusions, the Hospital’s volume and financial projections upon which they are based appear to be reasonable.”*
(March 9, 2007, Final Decision, Docket Number 06-30797-CON)

4. On November 30, 2007, the Hospital filed a completed request to modify the previously authorized CON. The Hospital requests an increase of \$60,739,697 in the authorized capital expenditure, from \$123,657,659 to \$184,397,356. The Hospital indicated that the proposed incremental expenditure of \$60,739,697 is broken down by the following components:
- \$13,165,477 related to increased costs associated with unforeseen conditions, design changes, and actual costs that exceed budget allowances;
 - \$11,761,220 related to construction of an addition bed floor to the North Tower; and
 - \$35,813,000 related to the addition of space for the Connecticut Joint Replacement Institute to the North Tower construction.
- (October 17, 2007 Modification Request, pages 1- 10 and November 30, 2007 Completeness Response)*
5. The North Tower was originally planned to be an eight-level building with a helipad vestibule on level 9; the modification request proposes a nine-level building with a helipad vestibule on level 10 and elevator machine room on level 11. The new design accommodates the Connecticut Joint Replacement Institute surgery space on the fourth floor, as well as an additional inpatient bed floor (from three inpatient bed floors to four inpatient bed floors), as indicated in the following table:

Table 1: North Tower Building Project Changes

Floor	Original Authorization	Modification Request
1	Central Sterile Supply & Materials Management	Same
2	Emergency Department	Same
3	Surgical Department with 19 equipped ORs and 2 Shell ORs	Same
4	Mechanical	CT Joint Replacement Institute Surgical Suites (six ORs)
5	No Program	Mechanical
6	Medical/Surgical with 36 beds	Medical/Surgical with 36 beds
7	Medical/Surgical with 36 beds	Medical/Surgical with 36 beds
8	Medical/Surgical with 36 beds	Orthopedic Unit with 30 beds
9	Helipad Vestibule	Orthopedic Unit with 33 beds
10	None	Helipad Vestibule
11	None	Elevator Machine Room

(October 17 2007, Modification Request, pages 7 and 21-22)

Note: The New North Tower Building will now have 135 physical beds vs. 108 previously proposed.

Note: The physical height of Level Five Mechanical space is equal to two floors.

6. The modification proposal will increase the departmental square footage, as follows:

Table 2: Project Square Footage, Original Proposal vs. Modification Request

	Original CON Proposal	Modification Request	Incremental Increase
North Tower Building	204,924	275,963	71,039
Renovated Space	42,734	43,211	477
Total	247,658	319,174	71,516

(October 17, 2007 Modification Request, page 21)

7. The Hospital identified the following cost increases as being due primarily to unforeseen conditions, design changes, and actual costs that exceed budget allowances:
- a) \$5,178,000 for the replacement of the metal and stone exterior paneling on the building with pre-cast concrete to match the rest of the new construction on the campus. The Hospital's discussions with the City of Hartford's Neighborhood Revitalization Zoning Committee (Asylum Hill district) indicated a strong preference for a pre-cast exterior.
 - b) \$1,984,349 for a revised foundation, addition of piles, and more structural steel to support the adjacent buildings and new bed floor. These design changes are caused by a more detailed analysis of the foundation and sub-soils since the original CON filing.
 - c) \$1,911,500 for the addition of telephone/data equipment, wiring and telephone switchgear. These costs were omitted from the original cost estimate in error.
 - d) \$1,917,376 for cost overruns related to vacating Buildings 7 and 8 and relocating utilities and other services (asbestos abatement, field costs, etc.). This work is largely complete at this time and the increased costs represent actual costs over budgeted.
 - e) \$1,692,600 for increased costs for interior finishes (upgraded flooring, ceilings, light fixtures, etc.) based on the review of more detailed specifications and drawings.
 - f) \$481,651 for increased movable equipment costs based upon advice of the equipment planning consultants who have completed detailed equipment inventory in affected areas. (October 17, 2007 Modification Request, pages 3-4 & November 30, 2007 Completeness Response, pages 2-3)
8. The Hospital is not requesting any change to the total number of 617 licensed general hospital beds. (October 17 2007, Modification Request, page 5)
9. The modification request does not change the total staffed bed count from the initial CON proposal. A minor change is projected between the medical/surgical staffed bed count and the Maternity bed count, as illustrated in the following table:

Table 3: Changes in staffed bed count, original proposal vs. modification request

Bed Type	Current Staffed Beds¹	Projected Staffed Beds in Original CON Proposal	Projected Staffed Beds as Modified
Medical/Surgical	371	424	423
Critical Care	42	42	42
Maternity	46	46	47
Subtotal (Main Campus)	459	512	512
Psychiatric Care (Mount Sinai Campus)	85	85	85
Total Adult (both campuses)	544	597	597
Newborn Bassinets	26	26	26
NICU Bassinets	28	28	28
Total Bassinets	54	54	54

(December 19, 2006, Completeness Responses for Docket Number 06-30979-CON, Page 9 and October 17, 2007, Modification Request, Page 5)

¹ Current at the time of the original CON proposal.

10. The number of private vs. semi-private rooms on the main campus will change as a result of this modification request, as follows:

Table 4: Private vs. Semi-Private Rooms

	Private Rooms	Semi-Private Rooms	Total Rooms
Existing on Main Campus	262	101	363
Proposed for Main Campus	424	44	468

(October 17 2007, Modification Request, pages 8-9)

11. The Hospital indicated that the addition of a bed floor and redistribution of private/semi-private rooms is designed to achieve the following:
- Maximize the number of single inpatient rooms available;
 - Segregate its OB/GYN volume on contiguous units;
 - Provide dedicated orthopedic surgery inpatient units with specialty designed space that allows room for equipment at the patient bedside and provides the storage and gym space needed to successfully treat joint replacement patients;
 - Plan for future needs now, as there would be no opportunity to come back and add a floor at a latter date; and
 - Allow for better infection control measures; greater patient, family, and staff privacy; reduction in medical errors; and increased ability to accommodate more staff and equipment for each patient
- (October 17 2007, Modification Request, pages 5 and 10)*

12. The Hospital created the Connecticut Joint Replacement Institute (“Institute”) in mid-2007 when four orthopedic surgeons joined with the Hospital’s existing 6 orthopedic surgeons. The new surgeons began performing surgeries on a limited basis in August 2007 and fully transitioned to the Hospital in October 2007. *(October 17, 2007, Modification Request, page 10 and November 30, 2007, Completeness Response, page 4)*

13. The Institute’s surgical floor, Level Four of the North Tower, will contain six operating suites², 10 preparation rooms and 10 recovery bays, support services, offices, and research space to support the program. *(October 17 2007, Modification Request, page 11)*

14. The Hospital performed 974 joint replacement procedures in FY 2005, 1,025 in FY 2006 and 1,207 in FY 2007. *(November 30, 2007, Completeness Response, page 4)*

² The Hospital’s decision to equip the joint replacement surgery program with 6 operating suites is based upon the following: projected 3,500 joint replacement cases for FY 2013; the operating room will be open 5 days/week for 50 weeks/year, or 250 days/year; dividing 3,500 cases/year by 250 days results in 15.4 cases/day; 15.4 cases/day multiplied by 176 minutes (152 minute average case length and 24 minute average turn around time) results in 2,710 surgical minutes required/day at 100% efficiency; assuming 80% efficiency, 2,710 divided by 0.80 results in 3,388 surgical minutes required/day; 3,388 divided by 600 minutes (for a ten hour day) results in 5.64 operating rooms required, rounded up to 6.

15. The Hospital projects that the addition of four Connecticut Joint Replacement Institute surgeons will increase overall surgery volume as indicated in the following table:

Table 5: Surgical Projections

	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Increase related to the addition of four new surgeons	--	1,201	1,500	1,750	2,000	2,500	2,500
Total Projected Surgeries	19,217	20,802	21,486	22,120	22,755	23,639	24,023

Note: The constraints of the existing physical plant will limit the Institute's growth until the new 4th floor is complete in August 2010. (*October 17 2007, Modification Request, pages 11 and 13*)

16. The six joint replacement operating rooms will not be used for any other services if the volumes projected are achieved. Any surplus time in these ORs will most likely be scheduled for spine surgery and other orthopedic services, which would otherwise be performed in the main operating suite. (*November 30, 2007, Completeness Response, page 7*)
17. The Hospital indicates that the Institute will play an important role in the education of orthopedic surgery residents at the University of Connecticut School of Medicine and will advance total joint replacement surgery through Institute physicians participation in ongoing investigative research programs aimed at developing new joint surgery techniques and the application of new biomaterials.³ (*October 17 2007, Modification Request, page 11*)
18. The Hospital is not requesting an increase in the overall number of operating rooms, although the distribution of operating rooms will change as a result of this modification, as follows:

Table 6: Number of Operating Rooms ("ORs")

	Current CON Approval	Requested Modification
New North Tower	19 ORs and 2 shell ORs	25 ORs and 2 shell ORs
Existing Patient Care Tower	6 ORs(Ambulatory Surgery)	0 ORs
Main Campus Total	25 ORs and 2 shell ORs	25 ORs and 2 shell ORs
Mount Sinai Campus	3 ORs	3 ORs
Total	28 ORs and 2 shell ORs	28 ORs and 2 shell ORs

(*November 30, 2007, Completeness Response, pages 5-7 and October 17 2007, Modification Request, page 12*)

³ The Connecticut Joint Replacement Institute currently has no direct relationship with the University of Connecticut School of Medicine. The Hospital is one of the major teaching hospital affiliates of the University of Connecticut School of Medicine. The Hospital currently trains 3-4 orthopedic surgery residents annually. The Hospital indicates that it intends to obtain approval from the University of Connecticut School of Medicine for involvement in surgical cases at the Connecticut Joint Replacement Institute. (*November 30, 2007, Completes Response, pages 4-5*)

19. The Hospital indicates that the following benefits are associated with the relocation of six ambulatory surgery operating rooms from the Patient Care Tower to the new North Tower:

- Enhance flexibility to handle fluctuations in inpatient volume and improve the efficiency of the operating suite by allowing all operating rooms to be served vertically within the same tower;
- Free up space in the existing Patient Care Tower for cardiac catheterization prep and recovery;
- Create a home for observation patients that are being held in the Emergency Department (“ED”) and on several inpatient units, freeing inpatient beds for true inpatient admissions and reducing the number of patients now being held in the ED awaiting an available bed or for long observations prior to release; and
- Increase the size of the operating rooms available for ambulatory surgery from 360-400 square feet to an average of 650 square feet per room.

(October 17 2007, Modification Request, pages 3 and 12-13)

20. The total proposed capital expenditure for the project is \$184,397,356, plus \$10,358,733 in capitalized financing costs, resulting in a total project cost of \$194,756,089. The costs for the original CON proposal compared to the modification proposal are itemized as follows:

Table 7: Total Project Costs, Originally Approved and Proposed

Description	Original CON proposal	Proposed Revised	Incremental Difference
Construction/Renovations	\$106,181,968	\$156,898,479	\$50,716,511
Medical Equipment	\$12,599,000	\$19,035,825	\$6,436,825
Non-Medical Equipment	\$2,558,600	\$5,106,145	\$2,547,545
Project Development Costs	\$2,318,091	\$3,356,907	\$1,038,816
Total Capital Expenditure	\$123,657,659	\$184,397,356	\$60,739,697
Capitalized Financing Costs (CFC)	\$7,845,695	\$10,358,733	\$2,513,038
Total Project Cost w/CFC	\$131,503,354	\$194,756,089	\$63,252,735

*Note: Capitalized financing costs (“CFC”) are provided for informational purposes only
 (October 17 2007, Modification Request, pages 15-17)*

21. The project’s construction and renovation costs in the initial CON application and in the modification proposal, are as follows:

Table 8: Construction and Renovation Costs, Originally Approved and Proposed

Cost Component	Original Estimations	Revised Estimations	Incremental Difference
Building Work	\$86,777,000	\$134,021,957	\$47,244,957
Total Site Work	\$6,631,000	\$4,908,000	(\$1,723,000)
Architectural & Engineering	\$6,865,649	\$11,263,522	\$4,397,873
Contingency	\$2,761,319	\$3,501,000	\$739,681
Inflation Adjustment	\$3,147,000	\$3,204,000	\$57,000
Total Construction & Renovation Costs	\$106,181,968	\$156,898,479	\$50,716,511

(October 17 2007, Modification Request, pages 15-17)

22. The proposed capital expenditure will be financed through a Connecticut Health and Educational Facilities Authority (“CHEFA”) bond issuance (\$150,000,000), and Hospital equity (\$44,756,089). The Hospital has received a letter from CHEFA expressing its interest in financing a portion of the Hospital’s project. *(October 17, 2007 Modification Request, Page 17 and November 30, 2007, Completeness Response, pages 3 and 14)*
23. The Hospital recently received a letter from the City of Hartford, Department of Development Services, Planning Division, which indicates that the revised drawings for the project “*will not create any planning or zoning issues that were not already addressed in the initial special permit approval.*” *(November 30, 2007, Completeness Response, page 16)*
24. The Hospital’s projected incremental revenue from operations, total operating expense, and losses/gains from operations associated with the implementation of the modification request are presented in the table below:

Table 9: Hospital’s Financial Projections Incremental to the Project

Description	FY 2011	FY 2012	FY 2013
Incremental Revenue from Operations	\$12,541,878	\$6,870,201	\$10,086,191
Incremental Operating Expenses	\$10,688,995	\$9,371,558	\$10,012,850
Incremental Income/(Loss) from Operations	\$1,852,883	(\$2,501,357)	\$73,341

(November 30, 2007, Completeness Response, pages 48-49)

25. The Hospital’s projected revenue from operations, total operating expense, and gains from operations for the Hospital as a whole, including the proposed modification, are as follows:

Table 10: Hospital’s Overall Financial Projections including the Project

Description	FY 2011	FY 2012	FY 2013
Incremental Revenue from Operations	\$733,810,225	\$775,131,107	\$818,274,692
Incremental Operating Expenses	\$712,965,195	\$751,212,200	\$789,141,369
Incremental Income/(Loss) from Operations	\$20,845,030	\$23,918,907	\$29,133,323

(November 30, 2007, Completeness Response, pages 48-49)

26. For the fiscal year ending September 30, 2007, the Hospital realized the following results:

Table 11: Hospital Financial Results for FY 2007

Net Revenue from Operations	\$567,069,595
Operating Expenses	\$557,254,090
Operating Income	\$9,815,505
Excess of Revenue over Expenses	\$13,841,629

(November 30, 2007, Completeness Response, page 23, FY 2007 Audited Financial Statements)

27. The Hospital's projected long term debt position for the next five years is as follows:

Table 12: Hospital's Long Term Debt

FY 2008	\$247,780,000
FY 2009	\$242,562,000
FY 2010	\$234,831,000
FY 2011	\$225,447,000
FY 2012	\$217,627,000

(November 30, 2007, Completeness Response, page 9)

28. As of the filing of the modification request, the Hospital has accomplished the following in term of project implementation:

- Site preparation for the new building has occurred and contracts have been signed for the site work and concrete associated with the new building;
 - Departments have been moved that were located in buildings 7 and 8, which are the buildings to be demolished, asbestos has been eliminated in these buildings and underground utilities have been relocated; and
 - The single story security building on the proposed site has been demolished.
- (October 17 2007, Modification Request, page 18)*

Discussion

The Certificate of Need (“CON”) issued under Docket Number 06-30797-CON granted Saint Francis Hospital and Medical Center (“Hospital”) authorization to undertake a facility renewal and expansion project, including the construction of a new North Tower that would enable the Hospital to expand and redesign the Emergency Department, replace existing medical-surgical beds, replace the Surgical Services Areas and perform other specified facility improvements, at a total capital expenditure of \$123,657,659. Under Docket Number 07-30797-MDF, the Hospital is requesting a modification of that CON authorization in order to increase the authorized total capital expenditure by \$60,739,697, from \$123,657,659 to \$184,397,356. The Hospital has based its proposal for an increase in the authorized capital expenditure on costs associated with unforeseen conditions, design changes, and actual costs that exceed budget allowances; on costs related to the addition of the Connecticut Joint Replacement Institute to the North Tower; and on costs associated with construction of an addition bed floor to the North Tower.

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 06-30797-CON to Section 19a-637 of the Connecticut General Statutes, is not significantly altered by this request for a modification under Docket Number 07-30797-MDF. In its Final Decision issued under Docket Number 06-30797-CON, OHCA previously determined that *“Based upon the evidence presented, the Hospital has demonstrated a need for the proposed inpatient medical-surgical services replacement and staffed bed expansion as well as plant improvements through the planned service relocations and facility upgrades”* and that *“Based upon the evidence presented, OHCA finds that the Hospital has provided sufficient evidence to support the need for a new Operating Room and expanded Post Ambulatory Care Unit.”* The modification proposal which OHCA has reviewed under Docket Number 07-30797-MDF does not alter OHCA’s previous determination that the Hospital has demonstrated a need for this project.

OHCA also found in its original CON Final Decision that *“Although OHCA can not draw any conclusions, the Hospital’s volume and financial projections upon which they are based appear to be reasonable.”* The modification proposal which OHCA has reviewed under Docket Number 07-30797-MDF also does not alter this statement and the project appears to remain reasonable in terms of volume and financial projections.

The Hospital has presented a sound and reasonable proposal to include additional physical space in the new tower for the Connecticut Joint Replacement Institute, for additional ORs and inpatient beds in single bed rooms and to increase the authorized capital expenditures for the reasons described by the Hospital in its modification proposal. As such, OHCA determines that the modification proposal under Docket Number 07-30797-MDF appears reasonable and justified and does not significantly alter the relationship of the previously authorized CON to Section 19a-637 of the Connecticut General Statutes.

Order

Based on the above discussion and the reasons provided in the Hospital's modification request, OHCA hereby **Grants** the request and allows a modification of the CON Order under Docket Number 06-30797-CON. The CON authorization and Conditions #2, #4 and #5 of the original CON Order are modified as follows:

Saint Francis Hospital and Medical Center Hospital ("Hospital") is hereby authorized to undertake a facility renewal project, which includes the construction of a new North Tower that will enable the Hospital to expand and redesign the Emergency Department, replace existing medical-surgical beds, replace the surgical services areas and perform other specified facility improvements, at a total proposed capital expenditure of \$184,397,356, subject to the following conditions:

2. The Hospital shall not exceed the approved capital expenditure of \$184,397,356. In the event that the Hospital learns of potential cost increases or expects that the final project costs will exceed those approved, the Hospital shall file with OHCA a request for approval of the revised Certificate of Need ("CON") project budget.
4. The Hospital is authorized to replace 135 medical-surgical inpatient beds. The project will allow for the increase of 53 staffed adult beds on the main campus, from the current level of 459 staffed beds to a proposed complement of 512 staffed adult beds on the main campus. This increase in staffed medical-surgical beds will not affect the Hospital's existing licensed capacity, which will continue to operate at a total of 617 general hospital beds and 65 bassinets.
5. The Hospital is authorized to replace 23 operating room suites in its existing operating room on the main campus and to add 2 new operating room suites that will result in a complement of 25 new operating suites in the new North Tower. The new surgical services area will also contain shell space for two additional operating room suites that will be reserved for future surgical services operation.

The Hospital will continue to operate 3 operating room suites as part of its surgicare program located at the Mount Sinai campus. The total number of Hospital surgical suites at the conclusion of the project will increase by 2, from 26 to 28 operating suites.

By Order of the
Office of Health Care Access

Signed by Commissioner Vogel on January 30, 2008

Date

Cristine A. Vogel
Commissioner