



Office of Health Care Access Certificate of Need Application

Final Decision

Applicant: Lawrence & Memorial Hospital

Docket Number: 08-31141-CON

Project Title: Establishment of Occupational Health Center
in East Lyme

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

Filing Date: September 19, 2008

Decision Date: October 14, 2008

Default Date: December 18, 2008

Staff: Alexis G. Fedorjaczenko

Project Description: Lawrence & Memorial Hospital (“Hospital”) is proposing to establish an occupational health center in East Lyme, with an associated capital expenditure of \$27,000.

Nature of Proceedings: On September 19, 2008, the Office of Health Care Access (“OHCA”) received a Certificate of Need (“CON”) application from Lawrence & Memorial Hospital (“Hospital”) proposing to establish an occupational health center in East Lyme, with an associated capital expenditure of \$27,000. 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 Day* on May 2, 2008. 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 October 10, 2008, 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 of the 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 Applicant'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. Lawrence & Memorial Hospital ("Hospital" or "L&M") is a general hospital located at 365 Montauk Avenue in New London. *(July 7, 2008, Initial CON Application, page 68)*
2. The Hospital currently operates a Lawrence & Memorial Occupational Health Center ("LMOHC Groton") at the Hospital's outpatient satellite, Pequot Health Center, at 52 Hazelnut Hill Road in Groton. *(July 7, 2008, Initial CON Application, page 18)*
3. LMOHC Groton provides ambulatory health care specializing in the prevention, diagnosis, and treatment of work-related illnesses and injuries, and in the promotion of workplace health and safety through preventative services. *(July 7, 2008, Initial CON Application, page 19)*
4. The scope of services at LMOHC Groton includes occupational injury management with immediate care of initial injuries and follow-up care; occupational disease management including diagnosis, treatment, follow-up care, and reporting in compliance with C.G.S. Section 31-40a; and company contracted services including post-offer physical exams, drug and alcohol testing, fitness for duty exams, industry-specific exams, immunizations, laboratory and x-ray services, EKG, audiology and vision screening services, physical therapy, pulmonary function testing, surveillance exams, and bloodborne pathogen exposure care. *(July 7, 2008, Initial CON Application, page 18)*
5. The Hospital indicated that employers do not need to have a written contract to utilize the occupational health center services; some services are considered "contracted" because the employer, by written or oral request, incurs (guarantees) the obligation to pay for the requested services provided to the employee or prospective employee. *(September 19, 2008, Completeness Response, page 115)*
6. The Hospital proposes to establish a Lawrence & Memorial Occupational Health Center ("LMOHC East Lyme") site at 248 Flanders Road, Building 2, Niantic (East Lyme), to augment the services provided by LMOHC Groton. *(July 7, 2008, Initial CON Application, page 18)*
7. Services to be offered at LMOHC East Lyme will include the same occupational injury management, occupational disease management, and company contracted services as are currently provided at LMOHC Groton. However, LMOHC East Lyme will not provide x-ray and physical therapy; clients needing these services

will be referred to other L&M sites. *(July 7, 2008, Initial CON Application, page 18)*

8. The Hospital based the need for the proposed LMOHC East Lyme on providing a more proximal and convenient location for current and future client employers located west of the Thames River and Gold Star Bridge, within the Hospital's primary service area. The Hospital stated that there are currently no dedicated occupational health providers located in the target service area. *(July 7, 2008, Initial CON Application, pages 18, 20, and 22)*
9. L&M's needs assessment for the proposal included two focus group sessions with area employers and a telephone survey of 41 employers representing 10,400 employees. The Hospital stated that the primary conclusion was that there was a need for a dedicated occupational health services that did not combine services to workers with services to the general public, located specifically in the western section of L&M's primary service area. *(July 7, 2008, Initial CON Application, page 20)*
10. The Hospital identified the following benefits of dedicated occupational health services:
 - Decreased wait time compared to walk-in centers and emergency departments ("EDs");
 - Ability to provide specific, day of injury paperwork that employers need to meet OSHA and workers' compensation obligations, provide nurse case management to arrange for authorization for special procedures, and answer return-to-work questions, which many walk-in centers and EDs do not provide;
 - Increased ability to return employees to work with modifications that promote transition to full duty and maximum medical improvement (with a lost time per case of 0.8 days compared to a current State average of 8 days per case);
 - Staff that are current in the many related laws and regulations regarding the workplace, and that maintain certifications related to occupational health; and
 - Education and assistance for area employers to ensure they remain compliant with regulations surrounding workplace activities.*(August 27, 2008, Completeness Response, page 101)*
11. The service areas for the Hospital and the proposed occupational health center are identified in the following table. The service area for the existing LMOHC Groton site corresponds to the service area of the Hospital.

Table 1: Hospital/LMOHC Groton and LMOHC East Lyme Service Areas

	Hospital (and LMOHC Groton)	LMOHC East Lyme ("Proposed Market Area")
PSA	East Lyme, Groton, Ledyard, Lyme, Montville, New London, North Stonington, Old Lyme, Stonington, and Waterford	East Lyme, Lyme, Montville, New London, Old Lyme, and Waterford
SSA	Bozrah, Colchester, Franklin, Griswold, Lisbon Norwich, Preston, Salem, Voluntown, and Old Saybrook	

(July 7, 2008, Initial CON Application, pages 18 and 22)

12. The Hospital provided the following volumes for Fiscal Years 2005 through 2008, by service area town and service type, for LMOHC Groton:

Table 2: LMOHC Groton Visits by Employer Location and Service

	Employer Location	Service Type	2005	2006	2007	2008*	
PSA	East Lyme	Illness & Injury & PT	215	159	141	324	
		Contracted Service	142	128	114	168	
	Groton	Illness & Injury & PT	2,227	2,290	2,112	2,558	
		Contracted Service	1,502	1,303	1,677	1,845	
	Ledyard	Illness & Injury & PT	95	109	152	147	
		Contracted Service	63	62	68	67	
	Montville	Illness & Injury & PT	114	152	168	235	
		Contracted Service	213	145	80	113	
	New London	Illness & Injury & PT	1,324	1,323	1,277	1,831	
		Contracted Service	1,297	1,168	1,142	1,327	
	N Stonington	Illness & Injury & PT	31	41	13	29	
		Contracted Service	132	43	34	39	
	Old Lyme	Illness & Injury & PT	92	55	98	60	
		Contracted Service	94	73	99	89	
	Stonington	Illness & Injury & PT	165	200	212	266	
		Contracted Service	211	239	266	278	
	Waterford	Illness & Injury & PT	762	781	825	1,003	
		Contracted Service	515	453	598	698	
	Total Proposed Market Area			4,768	4,437	4,542	5,848
	TOTAL PSA			9,194	8,724	9,076	11,076
SSA	Bozrah	Illness & Injury & PT	65	33	8	22	
		Contracted Service	18	26	19	24	
	Colchester	Illness & Injury & PT	16	21	5	7	
		Contracted Service	0	19	4	0	
	Griswold/Lisbon	Illness & Injury & PT	3	14	2	5	
		Contracted Service	10	23	8	12	
	Norwich	Illness & Injury & PT	110	99	123	139	
		Contracted Service	162	218	140	110	
	Preston	Illness & Injury & PT	24	14	13	0	
		Contracted Service	15	13	0	0	
	Voluntown	Illness & Injury & PT	0	0	2	0	
		Contracted Service	3	0	0	0	
TOTAL SSA			426	480	324	319	
Other	Other **	Illness & Injury & PT	1,472	1,325	1,339	1,397	
		Contracted Service	1,642	1,470	1,402	1,413	
		TOTAL Other	3,114	2,795	2,741	2,810	
GRAND TOTAL			12,734	11,999	12,141	14,187	

Note 1: Towns shown in grey are the Proposed Market Area of LMOHC East Lyme, which sum to the "Total Proposed Market Area" line in the table.

Note 2: The Hospital indicated that the decrease in visits in FYs 2006 and 2007 was due to the loss of a contract in each of those years. The Hospital also stated that its volumes were influenced by injury and illness risk management and employment trends in Connecticut.

* 2008 figures are annualized based on the period Oct 1, 2007 through April 30, 2008.

** Employers located outside of L&M service area with employees serviced by L&M are typically subcontractors of local companies, commercial trucking firms with local drivers, or third party administrators.

(July 7, 2008, Initial CON Application, pages 23-5 and August 27, 2008, Completeness Response, page 98)

13. The Hospital's projected volumes originating from the Proposed Market Area for LMOHC East Lyme are identified in the following table. The Hospital estimated that a portion of volume from the market area would be retained at LMOHC Groton and a portion would transfer to the proposed LMOHC East Lyme.

Table 3: Projected Volume Originating from the Proposed Market Area

	2009	2010	2011
Non-PT Volume transferred to East Lyme	2,532	2,532	2,532
New East Lyme Volume	907	1,504	2,160
Proposed East Lyme Total Volume	3,438	4,035	4,692
Non-PT Volume retained in Groton	2,532	2,532	2,532
PT Volume Transferred to other L&M Sites	892	981	1,079
Total Volume Originating from Market Area	6,862	7,548	8,303

Note: Volume projections are based on annualized 2008 volumes, with an average annual growth rate (AAGR) of 2% based on experience at LMOHC Groton. In year 1, additional planned growth due to the proposed expansion is 15%, and in years 2 and 3 planned growth is 10% per year. This additional planned growth is due to the convenience of the location, dedicated and focused service offering, and anticipated success of marketing and sales efforts. It was estimated that 50% of non-PT volume would transfer to LMOHC East Lyme, and that 50% of non-PT volume would remain at LMOHC Groton. This was based on an analysis of the top 50 accounts including factors such as proximity to East Lyme, type of services currently requested, and discussions with several of the more active clients regarding their preference for an East Lyme site. (July 7, 2008, Initial CON Application, pages 29-31 and August 27, 2008, Completeness Response, pages 102-109)

14. The Hospital further detailed its volume projections by service type and location as presented in the following table. This table presents the total projected volumes for the LMOHC East Lyme and the LMOHC Groton sites for FYs 2009-2011.

Table 4: Projected Visits by Service Type and Location

Employer Location	Service Type	LMOHC East Lyme Proposed Market Area			LMOHC Groton		
		2009	2010	2011	2009	2010	2011
Hospital PSA	<i>Illness & Injury</i>	3,160	3,476	3,824	2,135	2,061	1,993
	<i>Contracted Service</i>	2,850	3,136	3,449	2,388	2,565	2,759
	<i>Physical Therapy</i>	851	936	1,030	757	731	706
	Total	6,862	7,548	8,303	5,280	5,357	5,458
Hospital SSA	<i>Illness & Injury</i>	-	-	-	121	115	110
	<i>Contracted Service</i>	-	-	-	135	128	122
	<i>Physical Therapy</i>	-	-	-	43	41	39
	Total				300	284	272
Other*	<i>Illness & Injury</i>	-	-	-	929	836	753
	<i>Contracted Service</i>	-	-	-	1,346	1,283	1,223
	<i>Physical Therapy</i>	-	-	-	329	296	267
	Total				2,604	2,416	2,243
Sub-Total		6,862	7,548	8,303	8,184	8,057	7,972
Non-PT Volume Retained in Groton	(2,532)	(2,532)	(2,532)	2,532	2,532	2,532	
PT Volume Transferred to other L&M Sites	(892)	(981)	(1,079)				
Total Projected Volume		3,348	4,035	4,692	10,716	10,589	10,504

* Employers located outside service area with employees serviced by L&M are typically subcontractors of local companies, commercial trucking firms with local drivers, or 3rd party administrators.

(July 7, 2008, Initial CON Application, pages 29-31 and August 27, 2008, Completeness Response, pages 102-109)

15. The Hospital identified existing providers in its proposed service as outlined in the following table. In addition, the Hospital indicated that in L&M's primary service area, Connecticut Dominion Nuclear, L&M, Pfizer Global Research & Development, Dow Chemical, and Electric Boat Corporation are large employers that manage their own on-site clinics. The Hospital also stated that emergency rooms and private physicians provide some similar services.

Table 5: Existing Providers

	Name of Provider	Similar Services Provided
PSA	Charter Oak Walk-In Medical Center 324 Flanders Road, Niantic	Drug testing, Industrial Medicine
SSA	CONNcare (affiliated with Backus) 112 Lafayette Street, Norwich Concentra 10 Connecticut Avenue, Norwich	Comprehensive occupational health services Comprehensive occupational health services
Other	Middlesex OHC 192 Westbrook Road, Essex	Comprehensive occupational health services

(July 7, 2008, Initial CON Application, pages 27-28)

16. The Hospital stated that it anticipated that the proposal would have some effect on other commercial providers, but distinguished its service line in that it will be the sole provider of dedicated occupational health services in the proposed service area. *(July 7, 2008, Initial CON Application, pages 27-28 and August 27, 2008, Completeness Response, pages 100-101)*
17. Services at LMOHC Groton are provided by a physician and an advanced practice nurse practitioner, utilizing 6 exam/treatment rooms. Services at LMOHC East Lyme will be provided by a physician, board certified in internal medicine or Occupational Medicine, or a physician assistant, utilizing 3 exam/treatment rooms. The Hospital indicated that it currently employs 4 Certified Occupational Health Nurse Specialists and 6 Evidential Breath Testing/Certified Breath Alcohol Technicians and Certified Professional Collectors for urine screens. *(July 7, 2008, Initial CON Application, page 19 and August 27, 2008, Completeness Response, page 101)*
18. Hours of operation at LMOHC Groton are Monday through Friday, 7 a.m. to 4:30 p.m. and will not change following commencement of services at the proposed site. LMOHC East Lyme will provide services Monday through Friday, 8 a.m. to 4:30 p.m. Off-hour coverage for acute injuries is currently and will continue to be provided at L&M's main campus or Pequot Health Center emergency departments. *(July 7, 2008, Initial CON Application, pages 19 and 27)*

**Financial Feasibility of the Proposal and its Impact on the Applicant's Rates and
 Financial Condition
 Rates Sufficient to Cover Proposed Capital and Operating Costs
 Impact of the Proposal on the Interests of Consumers of Health Care Services
 and Payers for Such Services
 Consideration of Other 19a-637, C.G.S. Principles and Guidelines**

19. The proposed total capital expenditure of \$27,000 for the purchase of medical equipment will be funded with the Hospital's equity from operating funds. *(July 7, 2008, Initial CON Application, page 38)*
20. The Hospital projected incremental revenue from operations, total operating expense, and gain/(loss) from operations associated with the CON proposal, as follows:

Table 6: Financial Projections for the Proposal

Description	FY 2009	FY 2010	FY 2011
Total Operating Revenue	\$143,306	\$237,632	\$341,280
Total Operating Expenses	187,967	188,554	188,554
Gain/(loss) from Operations	(\$44,661)	\$49,078	\$152,728

Note: The Hospital indicated that the operating loss in Year 1 is due to incremental startup volume and expense lagging the necessary minimum clerical staffing expense. (July 7, 2008, Initial CON Application, page 42 and August 27, 2008, Completeness Response, page 114)

21. The Hospital's rates are sufficient to cover the proposed capital expenditure and operating costs. *(July 7, 2008, Initial CON Application, pages 90-95)*
22. The current and projected payer mix for the Hospital, based on Gross Patient Revenue, is as follows:

Table 7: Current & Three-Year Projected Payer Mix for the Hospital

	Current Payer Mix	Year 1	Year 2	Year 3
Medicare*	36.3%	36.3%	36.3%	36.3%
Medicaid*	12.2%	12.2%	12.2%	12.2%
Champus and TriCare	5.0%	5.0%	5.0%	5.0%
Total Government	53.5%	53.5%	53.5%	53.5%
Commercial Insurers*	42.0%	42.0%	42.0%	42.0%
Uninsured	2.8%	2.8%	2.8%	2.8%
Workers Compensation	1.7%	1.7%	1.7%	1.7%
Total Non-Government	46.5%	46.5%	46.5%	46.5%
Total Payer Mix	100%	100%	100%	100%

** Includes managed care activity.
 (July 7, 2008, Initial CON Application, page 40)*

23. There is no State Health Plan in existence at this time. *(July 7, 2008, Initial CON Application, page 19)*
24. The Hospital has adduced evidence that this proposal is consistent with its long-range plan. *(July 7, 2008, Initial CON Application, page 19)*
25. The Hospital has improved productivity and contained costs through energy conservation and group purchasing. *(July 7, 2008, Initial CON Application, page 35)*
26. The Hospital's proposal will not result in a change to the Hospital's teaching or research responsibilities. *(July 7, 2008, Initial CON Application, page 36)*
27. There are no distinguishing characteristics of the Hospital's patient/physician mix that make the proposal unique. *(July 7, 2008, Initial CON Application, page 36)*
28. The Hospital has sufficient technical and managerial competence to provide efficient and adequate services to the public. *(July 7, 2008, Initial CON Application, Attachment II)*

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.

Lawrence & Memorial Hospital (“Hospital”) is a general hospital located at 365 Montauk Avenue, New London. The Hospital currently operates a Lawrence & Memorial Occupational Health Center (“LMOHC Groton”) at the Hospital’s outpatient satellite, the Pequot Health Center, at 52 Hazelnut Hill Road, Groton. LMOHC Groton provides ambulatory health care specializing in the prevention, diagnosis and treatment of work-related illnesses and injuries, and in the promotion of workplace health and safety. Services at the center include occupational injury and disease management, along with post-offer physical exams, drug and alcohol testing, fitness for duty exams, industry-specific exams, immunizations, laboratory and x-ray services, EKG, audiology and vision screening services, physical therapy, pulmonary function testing, surveillance exams, and bloodborne pathogen exposure care.

The Hospital proposes to establish a Lawrence & Memorial Occupational Health Center (“LMOHC East Lyme”) at 248 Flanders Road, Building 2, Niantic (East Lyme), to augment the services provided by LMOHC Groton. The services at LMOHC East Lyme will include the same services as are currently provided at LMOHC Groton with the exception of x-ray and physical therapy; clients needing these services will be referred to other Hospital sites. The Hospital based the need for the proposed LMOHC East Lyme on providing a more proximal dedicated occupational health center to serve employers and employees in the western section of the Hospital’s primary service area. The Hospital stated that there are currently no providers that do not combine services to workers with services to the general public within the targeted service area. The Hospital indicated that the benefits of dedicated occupational health centers include staff that are occupational health certified and knowledgeable about workplace laws and regulations, increased ability to return employees to work with modifications that promote transition to full duty and maximum medical improvement, and provision of education and assistance for area employers to ensure they remain compliant with regulations surrounding workplace activities. OHCA concludes that by offering these specialized services, the establishment of an occupational health center in East Lyme will improve both the quality and accessibility of dedicated occupational health services in the proposed service area.

The CON proposal’s total capital expenditure of \$27,000 for the purchase of medical equipment will be funded with the Hospital’s equity from operating funds. The Hospital projects an incremental loss from operations associated with the CON proposal of (\$44,661) in FY 2009, due to program startup. The Hospital projects an incremental gain from operations associated with the CON proposal of \$49,078 in FY 2010 and \$152,728

in FY 2011. The Hospital's financial projections, and volumes upon which they are based, appear to be reasonable and achievable. Therefore, OHCA concludes that the CON proposal is financially feasible and will improve access to quality outpatient occupational health services.

ORDER

Based on the foregoing Findings and Rationale, the Certificate of Need application of Lawrence & Memorial Hospital ("Hospital") to establish an occupational health center in East Lyme, with an associated capital expenditure of \$27,000, is hereby GRANTED, subject to the following conditions.

1. This authorization shall expire on October 14, 2009. Should the Hospital's project not be completed by that date, the Hospital must seek further approval from the Office of Health Care Access ("OHCA") to complete the project beyond that date.
2. The Hospital shall not exceed \$3 million in capital expenditure for the cost of the proposal. In the event that the Hospital learns of potential cost increases or expects the final project costs will exceed \$3 million, the Hospital shall notify OHCA in writing.
3. The Hospital must, within two months of commencement of operations at the occupational health center in East Lyme, report the date of the commencement to OHCA, in writing.
4. If the Hospital proposes to terminate and/or add any services or programs, it shall file with OHCA a Certificate of Need Determination or 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

Signed by Commissioner Vogel on October 14, 2008

Date

Cristine A. Vogel
Commissioner

CAV:agf