



Office of Health Care Access Certificate of Need Application

Final Decision

Hospital: Danbury Hospital

Docket Number: 08-31229-CON

Project Title: Establish a 4-Bed Sleep Disorder Center in Southbury

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

Filing Date: December 19, 2008

Hearing Date: January 30, 2009

Intervenors: Waterbury Hospital,
Saint Mary's Hospital

Presiding Officer: Cristine A. Vogel

Decision Date: February 19, 2009

Default Date: March 19, 2009

Staff: Paolo Fiducia
Carmen Cotto

Project Description: Danbury Hospital (“Hospital”) proposes to establish and operate a four-bed sleep disorder center at the Heritage Hotel, 522 Heritage Road, Southbury, Connecticut, at an estimated total capital cost of \$190,650.

Nature of Proceedings: On December 19, 2008, the Office of Health Care Access (“OHCA”) received the Certificate of Need (“CON”) application of Danbury Hospital seeking authorization to establish and operate a four-bed sleep disorder center at the Heritage Hotel, 522 Heritage Road, Southbury, Connecticut, at an estimated total capital cost of \$190,650. 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 concerning OHCA's receipt of the Hospital's Letter of Intent was published on September 9, 2008 in the *The News Times*. OHCA received two hearing requests from the public concerning the Hospital's proposal.

On January 9, 2009, OHCA received letters from Waterbury Hospital and Saint Mary's Hospital requesting that a public hearing be held in this matter.

On January 23, 2009, OHCA received a request for Party Status or in the alternative, intervenor status from Waterbury Hospital and Saint Mary's Hospital. On January 29, 2009, OHCA granted Intervenor status with full rights of cross examination to Waterbury Hospital and Saint Mary' Hospital.

On January 12, 2009, OHCA issued an Order of Consolidation, pursuant to Sections 19a-638 and 19a-643-21 of the Regulations of Connecticut State Agencies. The Order of Consolidation allows the Certificate of Need ("CON") applications contained in Docket Number: 08-31229-CON for Danbury Hospital ("Hospital") and Docket Number: 08-31211-CON for Waterbury Hospital, to be consolidated for the purposes of conducting a batched public hearing.

Pursuant to Section 19a-638, C.G.S., a public hearing regarding the CON application was held on January 30, 2009. On January 12, 2009, the Applicant was notified of the date, time, and place of the hearing. On January 12, 2009, a notice to the public announcing the hearing was published in the *The News Times*. Commissioner Cristine A. Vogel served as Presiding Officer. The hearing was conducted as a contested case in accordance with the provisions of the Uniform Administrative Procedure Act (Chapter 54 of the Connecticut General Statutes) and Section 19a-638, C.G.S.

OHCA's authority to review and approve, modify or deny the CON application is established by Section 19a-639, 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. Danbury Hospital ("Hospital") is an acute care general hospital located at 24 Hospital Avenue in Danbury, Connecticut. (*August 29, 2008, Letter of Intent Form, page 2*)

2. The Hospital proposes to establish and operate the “Southbury Sleep Center” a 4-bed sleep center at the Heritage Hotel, 522 Heritage Road, Southbury, Connecticut, at an estimated capital cost of \$190,650. *(August 29, 2008, Letter of Intent Form, page 3)*
3. Danbury Hospital has been providing sleep study services to patients for approximately twenty years, and currently operates a six-bed Sleep Disorder Center (“Center”) located at the hospital’s main campus on the 4th floor of the West Building. *(August 29, 2008, Letter of Intent Form, page 7)*
4. The Center was fully accredited in 1995 as a “Sleep Disorder Center” by the American Academy of Sleep Medicine giving it distinction of having met specific minimum requirements for staffing, facilities, and general clinical competency of medical and technical personnel. *(August 29, 2008, Letter of Intent Form, page 7)*
5. The proposed facility would perform polysomnography studies indicated for patients with suspected sleep apnea, narcolepsy, periodic limb movement disorder, and other sleep disorders for which corroborating physiologic data is required to confirm the diagnosis. *(August 29, 2008, Letter of Intent Form, page 7)*
6. Ms. Lisa Messina, Vice President of Operations, Danbury Hospital testified to the following:
 - This expansion would allow Danbury Hospital to create the necessary capacity to support the demand for our current services;
 - The number of sleep studies performed has grown at a compounded annual rate of 12.9%; and
 - The Hospital expects that demand for their sleep studies services will continue to grow because we no longer have sufficient facility space, we expect the wait time for sleep studies to grow considerably.*(January 30, 2009, Public Hearing, Ms. Messina)*
7. The Hospital states that the rate of growth in studies was 9% from FY 2007 to FY 2008, and there are 280 people waiting for a study. The current wait time from appointment to study is eight weeks. The demand for services continues to grow while the capacity of the Center is now 90%. The Center is open seven nights per week. *(November 5, 2008, Initial Certificate of Need Application, page 3)*
8. The Hospital states that given the limited space at the Hospital and the expense associated with a renovation to expand the Center on the 4th floor of the older West Building, it explored other options. Of the 1,643 patients who received a sleep study in FY 2008, 200 (12%) were from Southbury and surrounding towns, and another 256 (15%) are within a reasonable travel distance from the proposed facility in Southbury. *(November 5, 2008, Initial Certificate of Need Application, page 3)*

9. The Hospital states that the town of Southbury best supports the goal of improving access to sleep testing by reducing the wait time for a sleep study from eight weeks to two weeks. Southbury was chosen because Danbury Hospital already has an established presence in this location, and many of the current sleep center patients come from this region. *(December 19, 2008, Supplemental Information Submitted, page 484)*
10. The Hospital states that the planned satellite location will act as an overflow or ancillary access to accommodate those patients from the primary service area. *(November 5, 2008, Initial Certificate of Need Application, page 4)*
11. The Hospital states that hotels are common locations for satellite centers around the United States given the ease of access, the complementary model for conducting studies in an attractive, more natural setting, and the low risk associated with a small capital investment and rental arrangement. *(August 29, 2008, Letter of Intent Form, page 7)*
12. Ms. Lisa Messina, Vice President of Operations, Danbury Hospital testified that the Hotel setting offers several benefits:
 - Does not require renovations needed to create bedrooms and has already the needed furniture;
 - In the event of expansion the Hotel offers more choice compared to the Hospital main campus or in a medical office building;
 - Should we need to expand beyond four beds there are no adjacent competing clinical services that would have to be relocated at additional cost; and
 - Expanding the Center to the Hotel is our preferred use of resources.*(January 30, 2009, Public Hearing, Ms. Messina)*
13. Ms Lisa Messina also testified that the four-bed expansion of the Center in Southbury will enhance the Hospital ability to support service demanding growth, decrease wait time for consultation sleep studies, and cost effectively accommodate the existing need without disrupting existing services. *(January 30, 2009, Public Hearing, Ms. Messina)*
14. The Hospital states that the Danbury Office of Physicians Services (“DOPS”) maintains several practices at the Southbury Medical Building. These existing service providers include: Vascular, Pediatrics, Physical Medicine and Rehabilitation, Rheumatology, GI, General Surgery, Geriatrics and Cardiology. Additionally, the Hospital has affiliated practitioners in the service area for Ophthalmology, Dermatology, ENT, Urology, Orthopedics, Podiatry and Neurology. *(December 19, 2008, Supplemental Information Submitted, page 488)*
15. The Hospital indicates that approximately 90% of the patients referred to the current Center come from the DOPS Pulmonary Practice, consisting of the five sleep board certified specialists affiliated with the program, in addition to nine BRPT registered technologists. *(December 19, 2008, Supplemental Information Submitted, page 489)*

16. The Hospital states that all referrals to the Center will be made through the central scheduling office. The study location will be based primarily upon appointment availability and patient preference. All patients, regardless of who the referring physician is, are screened for medical risk. *(December 19, 2008, Supplemental Information Submitted, page 489)*
17. The Hospital states that specific conditions with high rates of comorbid sleep disorders include: obesity, hypertension, congestive heart failure, depression, diabetes, arthritis, fibromyalgia, dementia, COPD, asthma, prostate disease, epilepsy, cancer, renal disease, and Parkinson's disease. *(August 29, 2008, Letter of Intent Form, page 7)*
18. Dr. Jose Mendez, Medical Director, Danbury Hospital Sleep Disorder Center, in his testimony states that in 2007 alone, they have seen more than 1,500 patients in consultation with a variety of sleep disorders and performed more than 1,550 sleep studies, and approximately 250 bariatric (gastric by-pass) pre-operative evaluations (a population at a greater risk of obstructive sleep apnea and post operative complications). *(November 5, 2008, Initial Certificate of Need Application Submission, page 36)*
19. The Southbury Center will operate six days per week (Sunday through Friday) from 7:00 pm to 7:00 am. *(November 5, 2008, Initial Certificate of Need Application Submission, page 5)*
20. The following table shows the actual number of sleep studies performed at the Center for the last 4 FYs:

Table 1: Danbury Hospital Sleep Disorder Center Utilization

	FY 2005*	FY 2006	FY 2007	FY 2008
# of Sleep Beds	4.5	6	6	6
# of Nights Open	6	6	6	7
Actual Studies	1,141	1,339	1,502	1,643

*2005 – The average of 4.5 sleep beds is reflective of the increase from 4-6 sleep beds during the course of the fiscal year.

(December 19, 2008, Supplemental Information Submitted, page 489)

21. The following table shows the projected number of sleep studies for the Center for the next 3 FYs:

Table 2: Projected Number of Sleep Studies for the Danbury Hospital Sleep Disorder Center

	FY 2009	FY 2010	FY 2011
# of Sleep Beds	6	6	6
# of Nights Open	7	7	7
Projected Studies	1,856	1,875	1,893

(December 19, 2008, Supplemental Information Submitted, page 485)

22. The following table shows the projected number of sleep studies for the proposed Southbury Sleep Center for the next 3 FYs:

Table 3: Projected Number of Sleep Studies for the Southbury Sleep Disorder Center

	FY 2009	FY 2010	FY 2011
# of Sleep Beds	2	4	4
# of Nights Open	6	6	6
Projected Studies	420	511	636

(December 19, 2008, Supplemental Information Submitted, page 485)

23. The following are the assumptions used for the above tables:

- The Southbury center would operate 6 nights per week, and the Danbury center would operate 7 nights per week.
- The increase in volume growth in 2009 to 2,272 (total program) includes the 280 patients who are currently in the queue as of September 30, 2008.
- Growth in FY 2009 is assumed to be at 40 new requests per week for patient's studies as is the current rate for the months of August and September 2008.
- Growth in FY 2010 and FY 2011 is assumed to normalize to conservative growth rates of 5% and 6%. At the Center, historic rates of growth averaged 11% and include only studies performed in those volumes.
- Given the assumptions about the rate of growth, the Southbury Center would open with 2 beds in 2009 and run at 80% capacity. Two incremental beds, totaling 4 beds in Southbury, would begin operating in 2010.

(December 19, 2008, Supplemental Information Submitted, page 486)

24. The Hospital testified that in the first 16 weeks of FY 2009 the Center has performed 599 sleep studies. *(January 30, 2009, Public Hearing)*
25. The Hospital testified that as part of their agreement with the Hotel if the Hospital fails to hit the 250 minimum number of sleep studies they can terminate the lease within 30 days. *(January 30, 2009, Public Hearing)*
26. The following table shows the existing sleep laboratory providers in the Hospital total service area:

Table 4: Existing sleep lab facilities in the Hospital total service area

Provider Name and Location	Number of Beds
Saint Mary's Hospital, Waterbury	4 beds
Waterbury Hospital, Middlebury	6 beds
Connecticut Sleep Center, New Milford Hospital, New Milford	Unknown

(November 5, 2008, Initial Certificate of Need Application Submission, page 7)

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

27. The total capital expenditure associated with this proposal is \$190,650, and consist of the following:

Table 5: Total Proposed Capital Expenditure

Total Capital Expenditure/ Cost Itemization	
Medical Equipment (Purchase)	\$138,650
Non-Medical Equipment (Purchase)*	\$ 15,000
Construction/Renovation	\$ 37,000
Total Capital Expenditure	\$190,650

*Desk/chair, Filing cabinets, Signage, Computer equipment
(November 4, 2008, Initial CON Application, page 18)

28. The medical equipment consists of Covidien Polysomnography system (Sandman) at \$130,050 and Smith's Medical End-tidal CO2 detectors at \$8,600. (August 29, 2008, Letter of Intent, page 4)

29. The total construction/renovation costs associated with this proposal consist of the following:

Table 6: Total Proposed Construction Cost

Total Construction/Renovation Cost Itemization	
Total Building work Costs	\$33,300
Total Contingency Costs	\$3,700
Total Construction/Renovation Cost	\$37,000

(November 4, 2008, Initial CON Application, page 19)

30. The Applicant states that the hotel-based site will require very little renovation as the space is already in use as sleeping facilities. Minor electrical work is required to provide for wiring of sleep study equipment and is expected to take 4-6 weeks to complete. Upon expansion from 2 rooms to 4 rooms, one of the incremental bathrooms will be renovated over a 4 week period to allow for improved accessibility to patients with disability. (November 4, 2008, Initial CON Application, page 19)
31. The Applicant expects no disruption in the delivery of patient care as there are no renovations occurring at the hospital-based sleep center. (November 4, 2008, Initial CON Application, page 19)
32. The proposed capital expenditure of \$190,650 for the CON proposal will be financed entirely through Applicant's equity. (November 4, 2008, Initial CON Application, page 20)

33. The Applicant’s available funds for the financing of the proposed project will total \$60,247,269. *(November 4, 2008, Initial CON Application, page 20)*
34. The Applicant is projecting no incremental losses as a result of implementation and operations of the Southbury Sleep Center. *(November 4, 2008, Initial CON Application, page 23)*
35. The Applicant’s projected incremental gains from operations as a result of this proposal follows:

Table 6: Projected Incremental Increases in Operating Revenue

	FY2009	FY2010	FY2011
Revenue from Operations	\$806,000	\$1,000,000	\$1,267,000
Total Operating Expenses	\$476,000	\$879,000	\$937,000
Gain from Operations	\$330,000	\$121,000	\$330,000

(November 4, 2008, Initial CON Application, Attachment “I”, page 479-480)

36. The Applicant’s current payer mix and the projected payer mix with the CON proposal for Danbury Hospital Sleep Center is as follows.

Table 7: Current and Projected Three-Year Payer Mix with CON Proposal

Description	FY2008 Current	FY2009 Projected	FY2010 Projected	FY2011 Projected
Medicare	19.6%	19.6%	19.6%	19.6%
Medicaid	6.5%	6.5%	6.5%	6.5%
Champus	0.0%	0.0%	0.0%	0.0%
Total Government	26.1%	26.1%	26.1%	26.1%
Commercial Insurers	70.1%	70.1%	70.1%	70.1%
Uninsured	3.5%	3.5%	3.5%	3.5%
Workers Compensation	0.0%	0.0%	0.0%	0.0%
Total Non-Government	73.6%	73.6%	73.6%	73.6%
Uncompensated Care (Private Pay)	0.2%	0.2%	0.2%	0.2%
Total Payer Mix	100.0%	100.0%	100.0%	100.0%

(December 19, 2008, Completeness Responses, page 491)

37. There is no State Health Plan in existence at this time. *(November 4, 2008, Initial CON Application, page 3)*
38. The proposal is consistent with the Applicant’s long-range plan. *(November 4, 2008, Initial CON Application, page 3)*
39. The Applicant has improved productivity and contained costs through energy conservation, group purchasing and Lean Six Sigma initiative. *(November 4, 2008, Initial CON Application, page 16)*
40. This proposal will not result in changes to the Applicant’s teaching and research responsibilities. *(November 4, 2008, Initial CON Application, page 16)*

41. The proposal will result in changes to patient / physician mix of the Applicant due to the high number of board certified sleep disorders specialists associated with this program. *(November 4, 2008, Initial CON Application, page 16)*
42. The Applicant has sufficient technical and managerial competence to provide efficient and adequate service to the public. *(November 4, 2008, Initial CON Application, Appendix "D", pages 340-419)*
43. The Applicant's rates are sufficient to cover the proposed capital expenditure and operating costs. *(November 4, 2008, Initial CON Application, Appendix "J", page 481-482)*

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.

Danbury Hospital (“Hospital”) is an acute care general hospital located at 24 Hospital Avenue, Danbury, Connecticut. The Hospital proposes to establish the Southbury Sleep Center, a four-bed sleep facility at the Heritage Hotel, 522 Heritage Road, Southbury, Connecticut. The Hospital currently operates a six-bed Sleep Center on its main campus, on the 4th floor of the West Building seven days per week. The Hospital has been providing sleep disorder services to patients for approximately twenty years. In 1995, the Sleep Center was fully accredited by the American Academy of Sleep Medicine.

Currently the Sleep Center at Danbury Hospital is at 90% capacity. The total number of sleep studies performed at the Danbury Hospital Sleep Center were 1,141, 1,339, 1,502 and 1,643 for FY 2005, FY 2006, FY 2007 and FY 2008, respectively. The number of sleep studies performed at the existing Center has grown at a compounded annual rate of 12.9% and the Hospital provided documentation to support a continued demand for such services. The Hospital selected Southbury as the ancillary site since currently 12% of the patients reside in the proposed Southbury area; their existing physician practices located in that town and it is the location of an appropriate hotel. The Hospital presented evidence in support of a four-bed expansion of sleep studies services in Southbury.

The total capital cost for the CON proposal is \$190,650. The project will be financed entirely through Hospital equity. The Hospital projects an incremental gain from operations related to the proposal of \$330,000 for FY 2009, \$121,000 for FY 2010 and \$330,000 for FY 2011. The Hospital has made appropriate assumptions to start the program with 2-beds and as demand increases they will expand to four-beds. OHCA agrees with this conservative approach and acknowledges the low financial risk involved if for some reason projected volumes are not realized. OHCA finds that the CON proposal will improve access to sleep medicine services and has demonstrated financial feasibility.

Order

Based on the foregoing Findings and Rationale, the Certificate of Need application of Danbury Hospital to establish and operate the Souhbury Sleep Center a 4-bed sleep center at the Heritage Hotel, 522 Heritage Road, Southbury, Connecticut, with an associated capital expenditure of \$190,650, is hereby GRANTED, subject to the following conditions:

1. This authorization shall expire on February 19, 2010. 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 notify OHCA in writing of the commencement date of the proposed service by no later than one month after the commencement date.
3. If the Hospital proposes to change the ownership, services offered or location of the Southbury Sleep Center, a CON Determination shall be filed with OHCA.
4. If the Hospital proposes to increase the number of sleep lab rooms over the 4 that are authorized at the Southbury Sleep Center, a CON Determination shall be filed with OHCA.
5. If the Hospital can no longer support the use of the four-bed sleep center located at the Heritage Hotel in Southbury, it must notify OHCA immediately and file a CON Determination.

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 February 19, 2009

Date

Cristine A. Vogel
Commissioner

CAV:pf