



Office of Health Care Access Certificate of Need Application

Final Decision

Applicant: Norwalk Hospital

Docket Number: 05-30557-CON

Project Title: Restore Parking Garage

Statutory Reference: Section 19a-639 of the Connecticut General Statutes

Filing Date: September 29, 2005

Decision Date: October 21, 2005

Default Date: December 28, 2005

Staff Assigned: Paolo Fiducia

Project Description: Norwalk Hospital (“Hospital”) proposes to restore its parking garage on the Hospital campus, at a total proposed capital expenditure of \$3,900,000.

Nature of Proceedings: On September 29, 2005, the Office of Health Care Access (“OHCA”) received a Certificate of Need (“CON”) application from Norwalk Hospital (“Hospital”) seeking authorization to restore its parking garage on the Hospital campus, at a total proposed capital expenditure of \$3,900,000. 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 in the *The Hour*, on August 9, 2005, pursuant to Section 19a-639, C.G.S. OHCA received no response from the public concerning the Hospital’s proposal.

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. Norwalk Hospital ("Hospital") is an acute care hospital located at 34 Maple Street, Norwalk, Connecticut. *(September 29, 2005, CON Application, page 1)*
2. The Hospital plans to implement a three-year repair program to restore its parking garage, at a total proposed capital expenditure of \$3,900,000. *(February 14, 2005, CON Application, page 2)*
3. The Hospital's parking garage was designed in 1974 and constructed in 1975, consisting of four supported levels and one-grade level to facilitate parking for approximately 460 vehicles. *(September 29, 2005, CON Application, pages 2 and 4)*
4. The Hospital proposes to perform the required restoration and repairs of the parking garage structure, as well as address architectural and functional improvements that will benefit patients, visitors, medical staff and employees. *(September 29, 2005, CON Application, page 4)*
5. The Hospital's proposed project is a three-year comprehensive restoration program of the existing garage to obtain, at a minimum, an additional 20-year service life from the structure. *(September 29, 2005, CON Application, page 3)*
6. The Hospital has identified the following items as being required in the repair program:
 - Structural Repairs
 - Replacement of existing ramps between levels
 - Pre-cast concrete, tee, beam, column and haunch repairs
 - Bearing pad replacement
 - Waterproofing Repairs
 - Replacement of all expansion joints
 - Replacement of all tee-to-tee sealant joints
 - Traffic Bearing Membrane Installation (as needed)
 - Façade Repairs
 - Rebuild portions of the masonry parapet wall that are failing
 - Replace and/or install masonry control joints
 - Mechanical and Electrical System Repairs
 - Relocate utilities that are impacted by restoration activities
 - Repair and/or replace distressed drains and piping, and EMT sections
 - Provide new energy-efficient lighting package to replace existing
 - Elevator modernization
 - Architectural/Functional Improvements
 - Improvements to soffit in lower level of garage

- Stair tower door replacement
 - New line striping and directional arrow traffic markings
 - New signage package to direct vehicles and pedestrians
 - Installation of a pay-on-foot system for revenue collection
(September 29, 2005, CON Application, page 3)
7. In early 2002 the Hospital commenced a planning process to develop a facility master plan to address current and future requirements. HLM Architects studied the parking garage and concluded that the existing structure would require significant restoration within the next five years to maintain the use of the facility. (September 29, 2005, CON Application, page 4)
8. In November 2002, the Hospital engaged the services of Desman Associates to provide consulting engineering services to conduct a condition survey of the parking garage. The results of the Desman Associates report indicated that the parking garage is in fair to poor condition with the major items of concern being the corrosion related deterioration of various structured elements, such as the pre-cast concrete tee connectors, the pre-cast concrete ramp structure, the concrete topping over the pre-cast tees and the masonry brick of the facades. They recommended the implementation of a comprehensive repair and preventive maintenance program for the facility in order to ensure its structural integrity and extend its useful life. (September 29, 2005, CON Application, page 4)
9. The proposed renovations are being designed in a manner to minimize the disruption to the parking garage. It is anticipated that some parking spaces will not be available from time to time over the course of the garage restoration. The renovations will be completed in multiple phases through out the 3 year span. It is estimated that repairs will last approximately 20-22 weeks per year (weather permitting). (September 29, 2005, CON Application, page 18)
10. The project schedule is as follows: (September 29, 2005, CON Application, page 19)

Table 1: Proposed Construction Schedule

| Description | Date |
|--------------------------------|--------------------|
| Construction Commencement Date | March 1, 2006 |
| Construction Completion Date | September 30, 2009 |
| Operation Commencement Date | October 1, 2009 |

**Financial Feasibility and Cost Effectiveness 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 the Payers for Such Services
 Consideration of Other Section 19a-637, C.G.S.Principles and Guidelines**

11. The total capital expenditure for the proposal is itemized in the following table:
 (September 29, 2005, CON Application, page 18)

Table 2: Capital Expenditure Itemization

| Description | Component Cost |
|----------------------------------|--------------------|
| Building Work | \$2,879,500 |
| Furniture, Fixture, Equipment | \$250,000 |
| Architectural/Engineering | \$338,500 |
| Contingency | \$432,000 |
| Total Capital Expenditure | \$3,900,000 |

12. The proposed capital expenditure will be financed entirely through Hospital operating funds. (September 29, 2005, CON Application, page 19)
13. The Hospital projects losses from operations incremental to the project of \$(74,000), \$(129,000), and \$(156,000) for Fiscal Years ("FY") 2007, 2008, and 2009, respectively due to non-cash depreciation expenses spread over the three year period. (September 29, 2005, CON Application, page 24)
14. The Hospital stated that the restoration option as compared to a replacement option is a more cost effective approach to the project. The construction costs (total building work costs) of a replacement garage are estimated at \$4.5 - \$5.5 million whereas the restoration of the garage is \$2,879,500. (September 29, 2005, CON Application, page 24)
15. The current and projected payer mix percentages for the first three years of operating the proposed garage are as follows: (September 29, 2005, CON Application, page 21)

Table 3: Hospital's Three-Year Projected Payer Mix

| Description | Current | Year 1 | Year 2 | Year 3 |
|-----------------------------|---------------|---------------|---------------|---------------|
| Medicare | 44% | 44% | 44% | 44% |
| Medicaid | 11% | 11% | 11% | 11% |
| TriCare (CHAMPUS) | | | | |
| Total Government | 55% | 55% | 55% | 55% |
| Commercial Insurers | 42% | 42% | 42% | 42% |
| Self-Pay | 3% | 3% | 3% | 3% |
| Workers Compensation* | | | | |
| Total Non-Government | 45% | 45% | 45% | 45% |
| Uncompensated Care** | | | | |
| Total Payer Mix | 100.0% | 100.0% | 100.0% | 100.0% |

*Included in Commercial
 **Included in Self-Pay

16. There is no State Health Plan in existence at this time. *(September 29, 2005, CON Application, page 2)*
17. The Hospital has adduced evidence that the proposal is consistent with the Hospital's long-range plan. *(September 29, 2005, CON Application, page 2)*
18. The Hospital has improved productivity and contained costs by undertaking energy conservation measures regarding its facilities; participating in activities involving the application of new technology; and employing group purchasing practices in its procurement of supplies and equipment. *(September 29, 2005, CON Application, page 13)*
19. The proposal will not result in any change to the Hospital's teaching and research responsibilities. *(September 29, 2005, CON Application, page 14)*
20. The Hospital's current patient/physician mix is similar to that of other acute care hospitals in the region. The proposal will not result in any change to this mix. *(September 29, 2005, CON Application, page 14)*
21. The Hospital has sufficient technical, financial and managerial competence and expertise to provide efficient and adequate service to the public. *(September 29, 2005, CON Application, page 11)*
22. The Hospital's rates are sufficient to cover the proposed capital expenditure and operating costs associated with the proposal. *(September 29, 2005, CON Application, page 173)*

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.

Norwalk Hospital (“Hospital”) is an acute care hospital located at 34 Maple Street, Norwalk, Connecticut. The Hospital proposes to restore its parking garage, at a total proposed capital expenditure of \$3,900,000. The parking garage was designed in 1974 and constructed in 1975. The structure has four supported levels and one-grade level to facilitate parking for approximately 460 vehicles. The proposed project is a three-year comprehensive restoration program of the existing garage to obtain, at a minimum, an additional 20-year service life from the structure.

The Hospital, in early 2002 commenced a planning process to develop a facility master plan to address current and future requirements. HLM Architects studied the parking garage and concluded that the existing structure would require significant restoration within the next five years to maintain the use of the facility. In November 2002, the Hospital engaged the services of Desman Associates to provide consulting engineering services to conduct a condition survey of the parking garage. The results of the Desman Associates report indicated that the parking garage is in fair to poor condition with the major items of concern being the corrosion related deterioration of various structured elements. They recommended the implementation of a comprehensive repair and preventive maintenance program for the facility in order to ensure its structural integrity and extend its useful life.

Restoration of the parking garage will not only address needed repair and restoration work related to the physical structure, but will also provide architectural and functional improvements that will increase patient, visitor, medical staff and employee satisfaction and convenience. As part of the mechanical and electrical systems repairs, a new energy-efficient lighting package will be installed to replace the existing lighting system. In addition, the architectural and functional improvements include enhancement to the interior garage soffit to increase user comfort level, door replacements in the stair tower leading from each parking level to the top deck of the garage, new line striping and directional arrow traffic markings, and a new signage package to direct vehicles and pedestrians. A new pay-on-foot system for revenue collection will be implemented with a token-based method for parking payment which will be made available in the main lobby of the Hospital adding convenience and time savings for visitors.

Based on the above, OHCA finds that the Hospital has demonstrated that the restoration of its parking garage is needed for the Hospital to continue to provide adequate campus parking to patients, visitors, physicians, hospital staff and other individuals needing access to the Hospital campus. Furthermore, the proposal will contribute to improved

accessibility by those individuals seeking their health care services at the Norwalk Hospital.

The total capital expenditure for the proposal is \$3,900,000. The Hospital will finance the project entirely through Hospital operating funds. The Hospital projects incremental losses from operations in the early years of the proposal's implementation. While the projected incremental losses are primarily due to non-cash depreciation expenses associated with the proposal, the projected losses are not significant based on the overall scope of the building project and affect the proposal has on the financial condition of the Hospital. The Hospital stated that the restoration option as compared to a replacement option is a more cost effective approach to the project. The construction costs (total building work costs) of a replacement garage are estimated at \$4.5 - \$5.5 million whereas the restoration of the garage is \$2,879,500. Therefore, OHCA finds that the Hospital's proposal will not only improve the accessibility for those individuals seeking Hospital programs and services, but that the Hospital's proposal is also financially feasible and cost-effective.

Based upon the foregoing Findings and Rationale, the Certificate of Need application of Norwalk Hospital to restore its parking garage, at a total proposed capital expenditure of \$3,900,000 is, hereby, GRANTED.

Order

Norwalk Hospital ("Hospital") is hereby authorized to restore its parking garage on the Hospital campus, at a total capital expenditure of \$3,900,000, subject to the following conditions:

1. This authorization shall expire on October 21, 2009. Should the Hospital's project not be completed by that date, the Hospital must seek further approval from OHCA to complete the project beyond date.
2. The Hospital shall not exceed the approved capital expenditure of \$3,900,000. 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 CON project budget.

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

October 21, 2005

Signed by Cristine A. Vogel
Commissioner

CAV:pf