



Office of Health Care Access Certificate of Need Application

Final Decision

Applicant: Saint Francis Hospital and Medical Center

Docket Number: 05-30656-CON

Project Title: Construction of a Replacement Laundry Facility

Statutory Reference: Section 19a-639, Connecticut General Statutes

Filing Date: March 23, 2006

Hearing Date: April 27, 2006

Presiding Officer: Susan Cole England, Director
Certification, Financial Analysis and Forecasting

Intervenor: Textile Rental Services Association of America

Decision Date: June 1, 2006

Staff Assigned: Steven Lazarus

Default Date: June 21, 2006

Project Description: Saint Francis Hospital and Medical Center (“Hospital”) proposes to construct a replacement laundry facility to be located in Hartford, at a total capital expenditure of \$4,034,349.

Nature of Proceedings: On March 23, 2006, the Office of Health Care Access (“OHCA”) received the proposal of Saint Francis Hospital and Medical Center (“Hospital”) to construct a replacement laundry facility, to be located in Hartford, at a capital expenditure of \$4,034,349. The Hospital is a health care facility or institution as defined by Section 19a-630 of the Connecticut General Statutes (“C.G.S.”).

On December 6, 2005, 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 Hartford Courant* pursuant to Section 19a-639, C.G.S. OHCA received a letter from the Textile Rental Services Association of America ("TRSA") requesting that a hearing be held on the Hospital's CON application.

Pursuant to Section 19a-639, C.G.S., a public hearing regarding the CON application was held on April 27, 2006. On March 31, 2006, the Hospital was notified of the date, time and place of the hearing. On April 4, 2005, a notice to the public was published in *The Hartford Courant*. Commissioner Cristine A. Vogel designated Susan Cole England, Director Certification, Financial Analysis and Forecasting as presiding officer in this matter. 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-639, C.G.S.

By petition dated April 21, 2006, TRSA requested Intervenor status with full rights of cross-examination regarding the Hospital's CON application. The Presiding Officer denied the request of TRSA for Intervenor status with full rights of cross-examination, and granted TRSA Intervenor status with limited rights of participation.

The Presiding Officer heard testimony from the Hospital's and the Intervenor's witnesses, in rendering this decision, considered the entire record of the proceeding. 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

Contribution of the Proposal to the Quality and Accessibility of Health Care Delivery in the Region

1. Saint Francis Hospital and Medical Center ("Hospital") is an acute care hospital located at 114 Woodland Street and 500 Blue Hills Avenue in Hartford. The Hospital is licensed for 617 general hospital beds and 65 bassinets. (*December 19, 2005, Letter of Intent, page 8*)
2. The Hospital's primary service area includes the towns of West Hartford, Hartford, East Hartford, Bloomfield, Windsor, Windsor Locks, East Granby, Granby, Suffield, South Windsor, Simsbury, Canton, Avon, Farmington, East Windsor, Ellington, Somers, Stafford/Union, Enfield, Manchester/Bolton, Andover, Vernon and Tolland. (*December 19, 2005, Letter of Intent, page 7*)

3. The Hospital proposes to replace, expand and relocate its laundry to leased space at 275 Homestead Avenue in Hartford. The proposed laundry location is approximately 1/8 mile from its current site. *(December 19, 2005, Letter of Intent, page 8)*
4. The Hospital based the need for the proposed replacement laundry facility on the following:
 - Existing laundry facility is housed in a building that is over 100 years old;
 - Existing laundry equipment is outdated and not energy efficient;
 - Existing laundry equipment can not handle the laundry volume with the Hospital's additional contracts with other facilities to provide laundry service. *(February 24, 2006, Initial CON Application Submission, pages 3-7)*
5. The Hospital currently provides laundry service to Saint Mary's Home in West Hartford. In addition, in August 2005 the Hospital executed a contract to provide laundry service to Lawrence and Memorial Hospital in New London for three years. *(February 24, 2006, Initial CON Application Submission, pages 3-7)*
6. The Hospital is currently in negotiations with Bristol Hospital and Saint Mary's Hospital to provide laundry services. *(February 24, 2006, Initial CON Application Submission, pages 3-7)*
7. The proposed replacement laundry facility will provide for the following:
 - A state-of-the-art facility that utilizes energy efficient equipment;
 - The capability to efficiently process more laundry; and
 - The ability of the Hospital to increase the number of outside contracts. *(February 24, 2006, Initial CON Application Submission, pages 3-7)*
8. The Hospital stated that the existing laundry facility will be initially converted to storage space. At a later date and under a separate CON proposal, the Hospital will demolish the facility, and another building will be constructed for services required at that time. *(March 23, 2006, Completeness Letter Responses, pages 2)*
9. The Intervenor testified to the following at the public hearing:
 - The Hospital could be in jeopardy of losing its tax-exempt status due to income from unrelated business activity. No documentation was provided to support this claim; and
 - TSRA does not currently provide laundry service to the Hospital, Saint Mary's Home, Saint Mary's Hospital, Bristol Hospital or Lawrence and Memorial Hospital. *(April 27, 2006, Textile Rental Services Association of America, Public Testimony)*

10. The Hospital testified to the following at the public hearing:
- For FY 2005, the Hospital's income from unrelated business activity represented 0.0004% of total revenue from operations; and
 - For FY 2008, the Hospital projects unrelated business activity of 0.0034% of total income from over all operations.
- (April 27, 2006, Saint Francis Hospital and Medical Center, Public Testimony)*

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

11. The proposal has a proposed total capital expenditure of \$4,034,349 which consists of:

Table 1: Total Capital Expenditure for the Proposal

Project Component	Cost
Non-Medical Equipment (Purchase)	\$1,880,000
Construction/Renovation	2,154,349
Total Capital Expenditure	\$4,034,349

(February 24, 2006, Certificate of Need Application, page 15)

12. The Hospital plans to fund the proposal through Hospital's equity, specifically through Cash and Short Term Investments. *(February 24, 2006, Certificate of Need Application, page 17)*
13. The Hospital projects the following incremental gains from operations in Fiscal Years 2006, 2007, and 2008:

Table 2: Incremental Gain/ (Loss) from Operations

Fiscal Year	Gain/(Loss) from Operations
2006	(\$53,861)
2007	\$206,694
2008	\$16,187

(March 23, 2006, Completeness Responses, Financial Pro Forma)

14. The Hospital's rates are sufficient to cover the proposed capital expenditure and operating costs. *(March 23, 2006, Completeness Responses, page 23)*
15. There is no State Health Plan in existence at this time. *(February 24, 2006, Certificate of Need Application, page 3)*

16. The Hospital has adduced evidence that this proposal is consistent with its long-range plan. *(February 24, 2006, Certificate of Need Application, page 3)*
17. The proposal will not result in changes to the Hospital's current utilization statistics. *(February 24, 2006, Initial CON Application Submission, pages 3-7)*
18. The Hospital has undertaken energy conservation, reengineering, group purchasing and the application of technology programs and activities in an effort to improve productivity and contain costs. *(February 24, 2006, Certificate of Need Application, page 10)*
19. The proposal will not result in changes to the Hospital's teaching and research responsibilities because the proposal does not affect patient care directly. *(February 24, 2006, Certificate of Need Application, page 8)*
20. There are no distinguishing characteristics of the Hospital's patient/physician mix. *(December 19, 2005, Letter of Intent, page 8)*
21. The Hospital has sufficient technical, financial and managerial competence to provide efficient and adequate services to the public. *(February 24, 2006, Certificate of Need Application, pages 78-90)*

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 an existing service, the specific type of service proposed to be offered, the current utilization of the service and the financial feasibility of the proposal.

Saint Francis Hospital and Medical Center (“Hospital”) is an acute care hospital located in Hartford. The Hospital provides laundry service at its own facility as well as at Saint Mary’s Home in West Hartford and Lawrence and Memorial Hospital in New London. The Hospital is proposing to construct a replacement laundry facility to be located at 275 Homestead Street in Hartford. The Hospital plans to replace, expand and relocate its laundry into leased space at the new location, which is only 1/8 of a mile from its current site. The Hospital is currently in negotiations with Bristol Hospital and Saint Mary’s Hospital to provide laundry service to their facilities as well.

The Hospital based the need for the proposed construction of the replacement laundry facility on the age of the existing building and outdated equipment. The proposed laundry facility, with the state-of-the-art laundry equipment, will be energy efficient and will allow the Hospital to process more linen per hour thus enabling the Hospital to handle its current linen volume more efficiently and increase the number of outside contracts. The Hospital’s proposal for a replacement laundry facility will improve the quality of the laundry service at the health care facilities the Hospital serves.

The total capital expenditure associated with the proposed project is \$4,034,349. The proposed project will be funded entirely through the Hospital’s equity, specifically through cash and short term investments. The Hospital projects an incremental loss from operations as a result of implementation of the proposal of \$(53,861) for the first year of operation, which is attributed to first year start up costs. The Hospital projects incremental gains from operations of \$206,694 and \$16,187, for FYs 2007 and 2008, respectively. Although OHCA can not draw any conclusions, the financial projections appear to be reasonable and achievable. Therefore, OHCA finds that the CON proposal is financially feasible and cost effective.

Based on the foregoing Findings and Rationale, the Certificate of Need application of Saint Francis Hospital and Medical Center to construct a replacement laundry facility to be located in Hartford, at a total capital expenditure of \$4,034,349, is hereby GRANTED.

Order

Saint Francis Hospital and Medical Center (“Hospital”) is hereby authorized to construct a replacement laundry facility at 275 Homestead Avenue in Hartford at total capital expenditure of \$4,034,349, subject to the following conditions:

1. This authorization shall expire on June 1, 2008, unless the Hospital presents evidence to OHCA that the proposal has been completed by that date.
2. The Hospital shall not exceed the approved total capital expenditure of \$4,034,349. 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 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

June 1, 2006

Signed by Susan Cole England, Director
Certification, Financial Analysis
and Forecasting