



## Office of Health Care Access Certificate of Need Application

### Final Decision

**Applicant:** Silver Hill Hospital, Inc.

**Docket Number:** 06-30679-CON

**Project Title:** Construction and Renovations of Patient Care Structures on Hospital Campus

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

**Filing Date:** May 24, 2006

**Decision Date:** June 22, 2006

**Default Date:** August 22, 2006

**Staff Assigned:** Laurie K. Greci

**Project Description:** Silver Hill Hospital, Inc. (“Hospital”) proposes to construct and renovate patient care structures on its hospital campus located at 208 Valley Road, New Canaan, Connecticut, at a total capital expenditure of \$9,643,472.

**Nature of Proceedings:** On May 24, 2006, the Office of Health Care Access (“OHCA”) received the Hospital’s Certificate of Need (“CON”) application seeking authorization to construct and renovate patient care structures on its hospital campus at 208 Valley Road, New Canaan, Connecticut, at a total capital expenditure of \$9,643,472. 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-639, C.G.S., a notice to the public concerning OHCA’s receipt of the Hospital’s Letter of Intent was published in *The Hour* (Norwalk) on February 4, 2006. Pursuant to Public Act 05-75, three individuals or an individual representing an entity with five or more people had until June 14, 2006, 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 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 Accessibility and Quality of Health Care Delivery in the Region

#### Impact of the Proposal on the Interests of Consumers of Health Care Services and Payers for Such Services

1. Silver Hill Hospital, Inc. ("Hospital") is an independent, fully accredited, nonprofit behavioral health hospital located at 208 Valley Road, New Canaan, Connecticut. (*May 24, 2006, CON Application, page 116*)
2. The Hospital is licensed to operate 129 beds as a Hospital for Mentally Ill Persons. The Hospital operates and staffs 113 beds. It provides acute psychiatric care for adults and adolescents, acute substance abuse treatment for adults and transition living programs for the treatment of adults with psychiatric, substance abuse, and dual disorders. The beds are located in six separate houses on the campus located at 208 Valley Road, New Canaan. (*January 26, 2006, Letter of Intent, page 8*)
3. The Hospital's current bed configuration is provided in the following table:

**Table 1: Hospital's Bed Configuration**

Unit Name	Number of Beds	Description
Acute Care Unit	18	Acute psychiatric, adults (locked unit)
Main House, 1 <sup>st</sup> and 2 <sup>nd</sup> floors	20	Acute psychiatric, adults (lockable unit)
Main House, 3 <sup>rd</sup> floor	10	Acute psychiatric, adolescents (locked unit)
Klingenstein House	20	Acute detoxification beds, adults (lockable unit)
Barrett House	14	Transitional beds for chemical dependency and dual diagnosis patients, adult women
Scavetta House	19	Transitional beds for chemical dependency and dual diagnosis patients, adult men
River House	12	Transitional beds for psychiatric and dual diagnosis patients, adult women and adult men
<b>Total Number of Beds</b>	<b>113</b>	

(*May 24, 2006, CON Application, pages 118 and 119*)

4. The Hospital proposes to renovate the Main House and replace the Klingenstein House with a new structure. The project does not impact the licensed or staffed bed capacity or the Hospital's programs and services. *(May 24, 2006, CON Application, pages 4 and 5)*
5. The Hospital based the need for its proposal on the lack of handicapped accessibility in the two buildings. Currently, each has narrow corridors, small doorways and bathrooms that do not meet code for handicapped accessibility. The renovation will permit the use of wheelchairs and assistive ambulatory devices by patients in treatment, recreational, and bedroom areas of the two buildings. *(May 24, 2006, CON Application, page 15)*
6. In 2005 the Hospital admitted 2,153 adults and 367 adolescents to its inpatient psychiatric and substance abuse treatment services. The length of stay was approximately 9 days for adults and adolescents on the psychiatric service and 5 days for patients admitted for substance abuse treatment. The inpatient treatment programs provide medication management, individual and group therapy and an emphasis on family involvement. *(May 24, 2006, CON Application, page 14)*
7. The Hospital stated that:
  - 30% of the patients admitted are domiciled in Fairfield County, Connecticut;
  - 37% live in other Connecticut counties;
  - 23% come from nearby Westchester County, New York and other New York counties; and
  - 10% are from other states or countries<sup>♦</sup>.*(May 24, 2006, CON Application, page 14)*
8. The following table summarizes the admissions<sup>♦</sup> by patient origin for Fiscal Years 2003 2004, and 2005:

**Table 2: Admissions by Patient Origin**

State	County	Fiscal Year		
		2003	2004	2005
Connecticut	Fairfield	662	660	760
Connecticut	New Haven	430	467	481
Connecticut	Hartford	108	186	172
Connecticut	Litchfield	91	106	135
Connecticut	Other	125	145	151
New York	All	565	553	574
Other (including foreign countries)	-	266	295	247
<b>Total Admissions</b>		<b>2,247</b>	<b>2,412</b>	<b>2,520</b>

*(May 24, 2006, CON Application, page 14)*

♦ The Hospital's admission data cannot be verified by OHCA.

9. The renovations to the Main House and the replacement construction of the Klingenstein House will comply with the 2001 edition of the AIA<sup>\*</sup> Guidelines for Design and Construction of Hospital and Health Care Facilities, Chapters 7 (General Hospital) and Chapter 11 (Psychiatric Hospital). The renovations and new construction will comply with Section 19-13-D5 (Long Term Hospitals) of the State of Connecticut Public Health Code, July 2005 edition. *(May 24, 2006, CON Application, pages 12 and 13)*
10. The Main House will be renovated to improve handicapped accessibility according to the current ANSI<sup>†</sup> A117.1-2003 with 2005 Connecticut State Building Code Supplement, including:
  - New front entry vestibule to allow wheelchair access into the building;
  - New interior ramp connecting the south wing and main parlor area for wheelchair access; and
  - All new space will be fully accessible, including patient and public/staff bathrooms.*(May 24, 2006, CON Application, page 12)*
11. The Main House is an existing structure of significant importance to the Hospital and will require non-traditional design solutions to accommodate the functions requirement set forth in the AIA Guidelines. As the Main House is not an acute care medical facility it will not warrant full compliance to the guidelines but will comply with the Hospital's current protocols for managing care for psychiatric patients. The proposed renovations include some additional new spaces for patient use, reorganizing of some existing spaces to improve function and minor renovation to some spaces not requiring more comprehensive work. *(May 24, 2006, CON Application, page 12)*
12. The current Klingenstein House structure will be replaced in approximately the same location with a new structure. The new structure will comply fully with the current ANSI A117/1-2003 with 2005 Connecticut State Building Code Supplement. It will also comply with the 2001 edition of the AIA Guidelines *(May 24, 2006, CON Application, page 12)*
13. The Main House has 14, 016 square feet of which 13,015 square feet will be renovated. An additional 1,001 square feet will be added due to the renovations. *(May 24, 2006, CON Application, page 147)*
14. The replacement Klingenstein House will consist of 12,270 square of total, new construction, including two floors of new wood framed construction to accommodate 20 patients and program space and a new walk-out basement for building access and a community room. *(May 24, 2006, CON Application, page 147)*
15. The Applicant anticipates that the construction and renovations will commence on September 1, 2006, and be completed on February 1, 2008. *(May 24, 2006, CON Application, page 9)*

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\* AIA = American Institute of Architects

† ANSI = American National Standards Institute

16. The following table summarizes the projected units of service<sup>♦</sup> for the first three years of the project:

**Table 3: Units of Service for First Three Years of the Project**

<b>Project Component</b>	<b>Projected Start and End Period</b>	<b>Number of Maintained Beds</b>	<b>Patient Bed Days</b>	<b>Avg. Daily Census</b>	<b>Patient Days</b>	<b>Avg. Percent Occupancy</b>
Klingenstein House Replacement	3/1/2006 to 8/31/2006	113	20,792	87	16,063	77%
	9/1/2006 to 2/28/2007	107	19,376	87	15,801	82%
<b>Total Days</b>			<b>40,168</b>		<b>31,864</b>	<b>79%</b>
Klingenstein House Replacement, finished and reoccupied	3/1/2007 to 5/31/2007	107	9,844	87	8,032	82%
Main House Renovations	6/1/2007 to 2/28/2008	107	29,211	92.	25,193	86%
<b>Total Days</b>			<b>39,055</b>		<b>33,225</b>	<b>85%</b>
Construction and Renovations Completed	3/1/2008 to 2/28/2009	113	41,245	97	35,515	86%

♦ The Hospital's projections cannot be verified by OHCA.  
 (May 24, 2006, CON Application, page 15)

**Financial Feasibility of the Proposal and its Impact on the Applicants' 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**

17. The Hospital's CON proposal includes the following capital expenditure components:

**Table 4: Applicant's Proposed Total Capital Expenditure**

<b>Description</b>	<b>Amount</b>
Construction and Renovation	\$ 9,643,472
Non-medical Equipment, purchase of	50,000
<b>Total Capital Expenditure</b>	<b>\$9,693,472</b>

(May 24, 2006, CON Application, page 89)

18. The costs of the construction and renovation include the following components:

**Table 5: Construction and Renovations Capital Expenditure Components**

<b>Project Component</b>	<b>Construction of Klingenstein House</b>	<b>Renovations of Main House</b>	<b>Capital Expenditure</b>
Building	\$3,599,670	\$3,178,615	\$6,778,285
Site Work and Septic	50,000	175,000	225,000
Furniture and Interiors	175,000	325,000	500,000
Security and Signage	40,000	50,000	90,000
Project Subtotal	3,864,670	3,728,615	7,593,285
Architects and Engineers Fees	463,760	447,434	911,194
Contingency Allowances	\$579,701	\$559,292	\$1,138,993
<b>Total Construction and Renovations Budget</b>	<b>\$4,908,131</b>	<b>\$4,735,341</b>	<b>\$9,643,472</b>

*(May 24, 2006, CON Application, page 8 and 146)*

19. The Hospital will fund the proposal's total capital expenditure with an equity contribution of \$9,643,472. *(May 24, 2006, CON Application, page 9)*

20. The Hospital projected that the proposal will provide the following incremental revenue, expenses and gain from operations of \$0, \$892,306, and \$1,540,377 in Fiscal Years 2007, 2008, and 2009, respectively:

**Table 6: Incremental Revenue, Expenses and Gain from Operations**

Incremental:	Fiscal Year		
	2007	2008	2009
Operating Revenue	\$0	\$1,029,656	\$1,774,984
Operating Expenses	0	137,350	234,607
Gain from Operations	\$0	\$892,306	\$1,540,377

*(May 24, 2006, CON Application, page 152)*

21. The Hospital's current payer mix and the projected payer mix for the first three years of the proposal is 82% for commercial insurers, 11% for Medicare, and 7% for the uninsured. *(May 24, 2006, CON Application, pages 10 and 11)*

22. There is no State Health Plan in existence at this time. *(May 24, 2006, CON Application, page 4)*

23. The Hospital stated that the proposal is consistent with its long-range plan. *(May 24, 2006, CON Application, page 4)*

24. The Hospital has improved productivity and contained costs through group purchasing, energy conservation, and the application of technology. *(May 24, 2006, CON Application, page 6)*
25. The proposal will not result in changes to the Applicant's current teaching and research responsibilities. *(May 24, 2006, CON Application, page 7)*
26. There are no unique characteristics of the Hospital's patient/physician mix that make this proposal unique. *(May 24, 2006, CON Application, page 7)*
27. The Hospital has sufficient financial, managerial, and technical competence to provide efficient and adequate service to the public. *(May 24, 2006, CON Application, pages 38 to 95 and pages 133 to 142)*
28. The Hospital's rates are sufficient to cover the proposed capital expenditure and operating costs associated with the proposal. *(May 24, 2006, CON Application, pages 133 to 142 and pages 155 to 164)*

## Rationale

The Office of Health Care Access (“OHCA”) approaches community and regional need for the proposed service on 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.

Silver Hill Hospital, Inc. (“Hospital”) is an independent, fully accredited, behavioral health hospital located at 208 Valley Road, New Canaan, Connecticut. The Hospital is licensed to operate 129 beds as a Hospital for Mentally Ill Persons. The Hospital operates and staffs 113 beds. The Hospital provides acute psychiatric care for adults and adolescents, acute substance abuse treatment for adults and transition living programs for the treatment of adults with psychiatric, substance abuse, and dual disorders.

The Hospital has patient beds in six separate houses on the campus. The Hospital proposes to perform major construction or renovation to two of the buildings. The Main House, on the first and second floors, has twenty beds for acute psychiatric care of adults. On the third floor of the Main House, there are ten beds for acute psychiatric care of adolescents. The Hospital proposes to replace the current Klingenstein House with a new structure. The Klingenstein House has twenty acute detoxification beds for adults.

The Hospital based the need for its proposal on the lack of handicapped accessibility in the two buildings. Currently, each has narrow corridors, small doorways and bathrooms that do not meet code for handicapped accessibility. The renovation will permit the use of wheelchairs and assistive ambulatory devices by patients in treatment, recreational, and bedroom areas of the two buildings. The project does not impact the licensed or staffed bed capacity or the Hospital’s programs and services.

The renovations to the Main House will include a new front entry vestibule to allow wheelchair access into the building, a new interior ramp connecting the south wing and main parlor area for wheelchair access, and an all-new space that will be fully accessible, including the bathrooms for patients, staff and the public. The Main House will conform to contemporary building standards yet maintain the character of the building that is the signature building on the Hospital’s campus. The Hospital is proposing to replace the Klingenstein House with a new building that will be handicapped accessible. Patients and staff will have addition space in the new building for recreation and treatment. OHCA finds that the Hospital has demonstrated that the proposal will contribute to the accessibility and quality of health services in the region.

The Hospital has scheduled the construction of the new Klingenstein House to begin in Fiscal Year (“FY”) 2006 and the renovations of the Main House to begin in FY 2007. The Hospital will maintain no fewer than 107 staffed beds during the construction and renovation process. By FY 2009, the number of staffed beds will again be at the current number of 113 beds. The Hospital projects that the average percent occupancy of its beds at the start of the proposal will

be 77% and increase to 86% for FY 2009. The proposal's total capital expenditure of \$9,693,472 will be funded entirely by an equity contribution. The Hospital projects that the proposal will provide the incremental gains from operations of \$0, \$892,306, and \$1,540,377 in Fiscal Years 2007, 2008, and 2009, respectively. Therefore, OHCA finds that the Hospital's proposal is financially feasible and cost-effective.

Based upon the foregoing Findings and Rationale, the Certificate of Need application of Silver Hill Hospital, Inc. to construct and renovate patient care structures on its hospital campus at 208 Valley Road, New Canaan, Connecticut, at a total capital expenditure of \$9,643,472, is hereby GRANTED.

## Order

Silver Hill Hospital, Inc. ("Hospital") is hereby authorized to construct and renovate patient care buildings located at 208 Valley Road, New Canaan, Connecticut, at a total capital expenditure of \$9,643,472, subject to the following conditions:

1. The authorization shall expire on December 21, 2008. Should the Hospital's construction and renovations of patient care buildings 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 of operations for the replacement Klingenstein House and the renovations completeness date for the Main House within 30 days of such commencement or completion date but not later than December 21, 2008.
3. The Hospital shall not exceed the approved capital expenditure of \$9,643,472. In the event that the Hospital learns of potential cost increases or expects that the final project costs will alter, the Hospital shall file with OHCA a request for approval of the revised 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 22, 2006

Signed by Cristine A. Vogel  
Commissioner