



Office of Health Care Access Certificate of Need Application

Final Decision

Applicant: Hill Health Corporation

Docket Number: 06-30691-CON

Project Title: Dental Service Expansion and
Infrastructure Upgrade Project

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

Filing Date: April 10, 2006

Decision Date: May 22, 2006

Default Date: July 9, 2005

Staff Assigned: Jack A. Huber

Project Description: Hill Health Corporation proposes to expand its dental service and upgrade its facilities' infrastructure, at an estimated total capital expenditure of \$5,679,999.

Nature of Proceedings: On April 10, 2006, the Office of Health Care Access ("OHCA") received the Certificate of Need ("CON") application from Hill Health Corporation ("Applicant") seeking to expand its dental service and upgrade its facilities' infrastructure, at an estimated total capital expenditure of \$5,679,999. The Applicant 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 Applicant's Letter of Intent was published in the *New Haven Register* on March 10, 2006. Pursuant to Public Act 05-75, three individuals or an individual representing an entity with five or more people had until May 1, 2006, the twenty-first calendar day following the filing of the Applicant's CON application, to request that OHCA hold a public hearing on the Applicant's proposal. OHCA received no hearing requests from the public.

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 these sections 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. Hill Health Corporation ("Applicant") is a federally qualified community health center that provides medical, dental and behavioral health services to the medically underserved, uninsured and impoverished residing in New Haven and West Haven. Specified health programs are also provided in the lower Naugatuck Valley towns of Ansonia and Derby. *(February 9, 2006, Letter of Intent ("LOI"), page 1 and April 20, 2006, Completeness response, Attachment 1, page 5)*
2. The Applicant proposes to undertake a project that will expand its dental service, upgrade existing facilities' infrastructure and refurbish existing service locations. *(April 10, 2006, CON Application, pages 2 through 7)*
3. The following represents the approximate number of patients treated at the health center's nineteen service locations by service category in 2005: *(April 20, 2006, Completeness response, Attachment 1, pages 3 and 5)*
 - Medical Services: 21,100 patients;
 - Mental Health Services : 5,800 patients;
 - Dental Services: 5,500 patients; and
 - Substance Abuse Services: 5,200 patients.
4. The Applicant provides the following array of health care services: pediatric, internal medicine, women's services, dental services, behavioral health evaluation, adult psychiatric care, alcohol and drug treatment including detoxification services, geriatric services, child therapy, counseling, homeless shelters and clinics services for the homeless, school health clinics, HIV services, health education, social services and specialty services such as ophthalmology, podiatry, neurology and dermatology. *(April 20, 2006, Completeness response, Attachment 1, page 4)*
5. The Applicant is undertaking the project in order to attain the following objectives: *(April 10, 2006, CON Application, pages 2 through 7)*
 - Expand and equip its dental service to meet the current and growing needs of the community served, especially children requiring screening, preventive care and treatment through the Healthcare for UninSured Kids and Youth ("HUSKY") A program;

- Modernize several of its facilities through necessary upgrades that are designed to maintain the infrastructure and renew systems in need of replacement; and
 - To acquire new equipment and furnishings that will replenish items that are in need of replacement.
6. The project will accomplish the following: *(April 10, 2006, CON Application, pages 2 through 7)*
- Increase the number of existing dental examination rooms by 4 rooms, from 6 to 10 dental operatories; and
 - Construct and equip a new 6,400 square foot building addition that will allow for the creation of the following:
 - First Floor Level: 4 dental operatories, office space for support staff and an equipment sterilization room; and
 - Basement Level: a record retention area and required mechanicals.
 - Modernize and improve the facilities' infrastructure by providing the following:
 - New HVAC, exterior siding and roofing systems, a new utility shed and guard shack;
 - Expanding facility parking and improve fencing and landscaping features.
 - Refurbish examination room equipment, as well as office, conference room and waiting area furniture at a number of practice locations.
7. The project has been designed in a manner which will allow for services to be provided in an uninterrupted fashion. Patients who present to the health center's sites during the project will not be adversely affected by the proposal. *(April 10, 2006, CON Application, page 7)*
8. The proposal is intended to serve residents that comprise the Applicant's primary service area ("PSA"). The Applicant indicates that its PSA includes the following 14 census tracts, located in central New Haven and northern West Haven. Each of the census tracts has been federally designated as a health professional shortage area and medically underserved area: *(February 9, 2006, LOI, page 132)*
- New Haven census tracts: 1402 through 1409, 1413, 1416 and 1417; and
 - West Haven census tracts: 1543 through 1545.
9. The Applicant's headquarters is located at 400 Columbus Avenue in New Haven. The headquarters is adjacent to the Hill Health Center Clinic building, which is located at 428 Columbus Avenue. The proposed dental service expansion will be connected to the existing clinic building. *(April 10, 2006, CON Application, page 7 and Addendum, page 97)*
10. Other service locations, categorized by town and primary services, that will be affected by the infrastructure upgrade and refurbishment component of the proposal include: *(February 9, 2006, LOI, page 1 and April 20, 2006, Completeness responses, page 4 and 5)*

- New Haven-Based Locations:
 - 393 Columbus Avenue; medical and drug treatment services;
 - 226 Dixwell Avenue; medical, pediatric and drug treatment services;
 - 586 Ella Grasso Boulevard; medical services;
 - 911 State Street; women's health services;
 - 393 Columbus Avenue; mental health and drug treatment services;
 - 232 Cedar Street; medical triage and detoxification services;
 - 35 Davis Street; pediatrics, mental health and health education services; and
 - 62 Grant Street; day treatment and shelter services.
 - West Haven Location - 285 Main Street; medical, nutritional and mental health services;
 - Derby Location - 4 Mountain Street; dental clinic services; and
 - Ansonia Location - 121 Wakelee Avenue; medical and mental health services.
11. The dental program provides a full range of preventative care and treatment. Its current weekly operating schedule will continue as follows: (*April 10, 2006, CON Application, p. 3*)
- Monday, Wednesday and Friday: from 8:30 am to 5:00 pm;
 - Tuesday and Thursday: from 8:30 am to 8:30 pm; and
 - Saturdays twice monthly: from 8:30 am to 12:00 pm.
12. The actual dental service volumes for fiscal years ('FYs') 2003 through 2005 are 10,795, 14,571 and 11,602 patient visits, respectively. During FYs 2003 and 2004, the dental service was operating with a full complement of adult and pediatric dentists. The decrease in annual service volumes between FYs 2004 and 2005 is attributable to medical leave taken by four staff dentists at various times during the operating year. (*April 10, 2006, CON Application, page 2 and April 20, 2006, Completeness responses, page 2*)
13. The dental service volume projections for Years 1 through 3 with completion of the project are 12,576, 15,720 and 17,040 patient visits, respectively. The Applicant's projections cannot be verified by OHCA. (*April 10, 2006, CON Application, page 2 and 3*)
14. The Applicant anticipates that it will experience a dental volume growth rate of 25% in Year 2, when the expanded service is anticipated to operate at an 80% capacity, followed by an 8.4% growth rate in Year 3, when the expanded service is anticipated to operate at nearly 100% capacity. The Applicant's growth rate projections are based on historical utilization and the proposed service expansion. (*April 10, 2006, CON Application, page 3*)
15. The Applicant indicates that it is not currently accepting new dental patients and that it takes a program patient approximately eight weeks to obtain a dental appointment. The proposal will allow the Applicant to accept 111 individuals currently on the program's waiting list as well as new dental patients seeking participation in the program. The Applicant anticipates the proposal will reduce the current waiting time for dental appointments from eight to four weeks. (*April 10, 2006, CON Application, page 2*)

16. The Applicant indicates that demand for dental services continues to be high due to the following factors: *(April 20, 2006, Completeness response, page 2)*
- Private dentists are no longer seeing HUSKY A patients due to low State reimbursement; and
 - The Yale Dental Clinic in New Haven is overbooked and has been referring patients to the health center's dental program.
17. The Applicant estimates that the proposed expansion will allow the service to accommodate 1600 new patients to the dental program by the close of operating Year 3, increasing program participation from approximately 5,500 current individuals to 7,100 individuals. *(April 10, 2006, CON Application, page 3 and April 20, 2006, Completeness response, page 2)*
18. The proposal will allow for dental services to be provided in a more efficient and cost-effective manner in that: *(April 20, 2006, Completeness response, page 2)*
- Dentists will be able to practice in two dental operatories simultaneously; and
 - A second hygienist will be able to treat patients, whereas currently one hygienist can comfortably treat patients; and
 - The need to curtail the number of longer procedures will not be as predominant as the additional operatories will allow the program to more easily accept emergency situations.
19. The proposal will allow the dental program to make services more accessible to children enrolled in the HUSKY A program. The Applicant plans to hire an additional 1.2 full-time equivalent ("FTE") pediatric dentists, an increase from 1.8 to 3.0 FTE pediatric dentists. *(April 10, 2006, CON Application, page 4, April 17, 2006, Completeness responses, page 2 and April 20, 2006 Completeness responses, page 2)*

**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 and
Consideration of Other Section 19a-637, C.G.S. Principles and Guidelines**

20. The project's total capital expenditure is \$5,679,999 and consists of the following cost components: *(April 10, 2006, CON Application, page 6)*

Table 1: Capital Expenditure Itemization

Description:	Cost
Building Costs	\$3,423,042
Non-Medical Equipment Purchase	\$1,590,692
Medical Equipment Purchases	\$400,000
Site Work: Paving Landscaping, Fencing, etc.	\$266,265
Total Capital Expenditure	\$5,679,999

21. The Applicant proposes to begin building work in June 2006. The project is scheduled to be completed by November 2006 with commencement of the expanded dental operation in December 2006. *(April 10, 2006, CON Application, page 8)*
22. The proposal will be financed through a combination of the following funding sources: *(April 10, 2006, CON Application, pages 8 and 9 and April 20, 2006, Completeness responses, page 2)*
- The sale of Facility Revenue Bonds through the City of New Haven totaling \$4,480,000; and
 - Three State of Connecticut bonds totaling \$719,843; and
 - Health Center equity from operating funds totaling \$480,156.
23. The Applicant’s projected incremental revenue from operations, total operating expense and gain from operations associated with the CON proposal are as follows: *(April 10, 2006, CON Application, page 10 and Addendum page 125)*

Table 2: Financial Projections Incremental to the Project

Description	FY 2007	FY 2008	FY 2009
Incremental Revenue from Operations	\$112,238	\$474,534	\$626,182
Incremental Total Operating Expense	\$ 94,455	\$416,072	\$551,040
Incremental Gain from Operations	\$17,783	\$58,462	\$75,142

24. The current and projected payer mix percentages for the first three years of operating the expanded dental service is presented in the table on the following page: *(April 10, 2006, CON Application, page 10)*

Table 3: Current & Three-Year Projected Payer Mix

Description	Current	Year 1	Year 2	Year 3
Medicare	7.0%	7.0%	8.0%	8.0%
Medicaid	62.0%	62.0%	68.0%	68.0%
Total Government	69.0%	69.0%	71.0%	71.0%
Commercial Insurers	8.0%	8.0%	5.0%	5.0%
Uninsured	23.0%	23.0%	24.0%	24.0%
Total Non-Government	31.0%	31.0%	29.0%	29.0%
Total Payer Mix	100.0%	100.0%	100.0%	100.0%

25. Four additional full-time equivalents (“FTE”) will be required to staff the proposed service expansion over the course of the first three operating FYs. An itemization of the projected FTEs by position title by fiscal year is as follows: *(April 17, 2006, Additional Applicant information, page 2)*

Table 4: Project Staffing Requirements in FTEs

Position Title:	FY 1	FY 2	FY 3
Dentist	1.0	1.5	2.0
Hygienist	1.0	1.0	1.0
Dental Assistant	1.0	1.0	1.0
Total FTEs	3.0	3.5	4.0

26. There is no State Health Plan in existence at this time. *(April 10, 2006, CON Application, page 2)*

27. The Applicant has adduced evidence that the proposal is consistent with its long-range plan. *(April 10, 2006, CON Application, page 2)*
28. The Applicant has improved productivity and contained costs by participating in activities involving the applications of new technology and employing group purchasing practices in its procurement of supplies and equipment. *(April 10, 2006, CON Application, page 5)*
29. The proposal will not result in any change to the Applicant's teaching and research responsibilities. *(April 10, 2006, CON Application, page 5)*
30. The Applicant's current patient/physician mix is similar to that of other community health care centers. The proposal will not result in any change to this mix. *(April 10, 2006, CON Application, page 5)*
31. The Applicant has sufficient technical, financial and managerial competence and expertise to provide efficient and adequate service to the public. *(April 10, 2006, CON Application, page 4 and Addendum, pages 13 through 30)*
32. The Applicant's rates are sufficient to cover the proposed capital expenditure and operating costs associated with the proposal. *(April 10, 2006, CON Application, page 10 and Addendum page 125)*

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.

Hill Health Corporation ("Applicant"), a federally qualified community health center, is proposing to undertake a project that will expand its dental service, upgrade its facilities' infrastructure and refurbish existing practice sites. The proposal will address the current and growing dental service needs of the communities served; modernize several Applicant facilities through necessary systems upgrades; and acquire new equipment and furnishings that will replenish items in need of replacement.

The building portion of the project encompasses the construction a new 6,400 square foot addition to the Applicant's care primary clinic in New Haven. The dental services expansion will provide space for 4 additional dental operatories, increasing the number from 6 to 10 operatories; office area for support staff; an equipment sterilization room; a record retention area and required building mechanicals. Building work is scheduled to commence in June 2006 with a completion date of November 2006. Commencement of the expanded dental operation is scheduled to take place in December 2006. The project has been designed in a manner which will allow for services to be provided in an uninterrupted fashion.

The dental program has experienced service volumes for fiscal years (“FYs”) 2003 through 2005 of 10,795, 14,571 and 11,602 patient visits, respectively. The Applicant’s dental service volume projections for years one through three with completion of the project are 12,576, 15,720 and 17,040 patient visits, respectively. The dental services program is no longer accepting new patients. Currently, patients seen in the dental services program typically wait eight (8) weeks to obtain a dental appointment. The Applicant estimates that the proposed expansion will allow the service to accommodate 2000 new patients to the dental program by the close of operating Year 3, increasing program participation from the current 5,100 individuals to approximately 7,100 individuals. Based on the above, OHCA finds that the proposal will be effective in meeting the health center’s current and projected dental service volumes. In addition, the proposal will enable the Applicant to continue providing quality dental services to the communities it serves. Consequently, OHCA concludes that the proposal will not only allow the health center to maintain a high level of quality health services, but that it will also contribute to the accessibility of health services in the region.

The capital expenditure for the proposal is \$5,679,999. The proposal will be financed through a bond issuance through the City of New Haven and grant funding through the State of Connecticut. The Applicant projects incremental gains from gains from operations of approximately \$17,783, \$58,462 and \$75,142 for FYs 2007 through 2009, respectively. The proposal will assist the Applicant in remaining productive and efficient overall. Although OHCA can not draw any conclusions, the Applicant’s volume and financial projections upon which they are based appear to be reasonable. Therefore, OHCA finds that the CON proposal is both financially feasible and cost effective.

Based on the foregoing Findings and Rationale, the Certificate of Need application of the Hill Health Corporation to expand its dental service, upgrade its facilities’ infrastructure and refurbish its practice sites at a total capital expenditure of \$5,679,999, is hereby GRANTED.

Order

Hill Health Corporation (“Applicant”) is hereby authorized to undertake a project to expand its dental service, upgrade its facilities’ infrastructure and refurbish its practice sites, at a total capital expenditure of \$5,679,999, subject to the following conditions:

1. This authorization shall expire on December 30, 2008. Should the Applicant’s project not be completed by that date, the Applicant must seek further approval from OHCA to complete the project beyond that date.
2. The Applicant shall not exceed the approved capital expenditure of \$5,679,999. In the event that the Applicant learns of potential cost increases or expects that the final project costs will exceed those approved, the Applicant 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

May 22, 2006

Signed by Cristine A. Vogel
Commissioner

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