

STATE OF CONNECTICUT

DEPARTMENT OF PUBLIC HEALTH



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Commissioner

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Governor
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Lt. Governor

Office of Health Care Access

Certificate of Need Final Decision

Applicant: The Waterbury Hospital
64 Robbins Street, Waterbury, CT 06708

Docket Number: 16-32113-CON

Project Title: Termination of Outpatient Sleep Laboratory in Southbury

Project Description: The Waterbury Hospital ("Hospital" or "Applicant") seeks authorization to terminate the Southbury Sleep Lab at 1284 Strongtown Rd., Southbury, CT, with no associated capital expenditure.

Procedural History: The Applicant published notice of its intent to file a Certificate of Need ("CON") application in *The Republican American* (Waterbury) on July 14, 15 and 16, 2016. On August 5, 2016, the Office of Health Care Access ("OHCA") received the initial CON application from the Applicant for the above-referenced project. The application was deemed complete on October 6, 2016. OHCA received no responses from the public concerning the Applicant's proposal and no hearing requests were received from the public per Connecticut General Statutes ("Conn. Gen. Stat.") § 19a-639a(e). Deputy Commissioner Addo considered the entire record in this matter.



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Findings of Fact and Conclusions of Law

1. The Applicant is a 357-bed acute-care hospital located at 64 Robbins Street, Waterbury, Connecticut. Ex. A., p. 6.
2. The Applicant offered outpatient diagnostic sleep services at two locations. The following table provides the locations and operating hours:

**TABLE 1
LOCATIONS OF THE APPLICANT'S DIAGNOSTIC SLEEP SERVICES**

Location	Description	Hours of operation
Crowne Plaza Hotel ("Southbury Center") 1284 Strongtown Road Southbury, CT	2 beds, 4 nights/week	Evening: 7 pm-7 am
Regional Sleep Laboratory ("Middlebury Center") 1625 Straits Turnpike Middlebury, CT	6 beds, 5 nights/week	Evening: 7 pm-7 am

Ex. A, p. 22.

3. The Applicant established its primary sleep laboratory, the Middlebury Center, in 2005. After experiencing significant volume growth between 2005 and 2008, OHCA in 2009 authorized the establishment of the Southbury Center (Docket Number 08-31211-CON), a second sleep lab with two beds, to be used as an "overflow site." Ex. A, p. 8.
4. The anticipated demand for sleep studies did not continue. The Southbury Center sleep study volume peaked at 137 in 2010. The Applicant attributes the decline in demand to increased competition from other hospital providers, as well as the advent of home-based sleep testing.

**TABLE 2
APPLICANT'S HISTORIC SLEEP STUDY VOLUME BY SITE**

	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15
Southbury Center	0	120	137	47	n/a	n/a	n/a	n/a
Middlebury Center	1,416	1,357	1,249	1,149	1,115	995	937	1,022
Total	1,416	1,477	1,395	1,192	1,115	995	937	1,022

Ex. A, p. 8; Ex. C, pp. 52, 54.

5. The Applicant's projections overestimated the number of sleep studies it would actually perform.

TABLE 3
ACTUAL & PROJECTED SLEEP STUDIES AT MIDDLEBURY AND SOUTHBURY CENTERS

FY 2010		FY 2011	
Projected	Actual	Projected	Actual
1,805	1,395	2,022	1,192

Ex. A, p. 8; Ex. C, p. 52.

6. In August of 2011, the Applicant ceased providing sleep services at the Southbury Center. Ex. A, p. 8.
7. The patients visiting the Southbury Center in FY2011, the last year it was in operation, originated from Southbury, Woodbury, Newtown, Roxbury, Shelton, Bethel, Danbury and Derby. Ex. C, p. 52.
8. The Applicant began performing home-based sleep tests in 2012, the year following the closure of the Southbury Center. Ex. C, p. 52.
9. Home-based sleep studies are beneficial to diagnosing patients that may have obstructive sleep apnea who are not capable of visiting a lab. According to *The Journal for Sleep Specialists*, in its 2014 article, "15% of OSA Testing Done with HSTs (and Growing)," home sleep tests are increasingly used to evaluate sleep-breathing disorders, while sleep center bed numbers decline. Ex. C, pp. 87-96.
10. The increase in home sleep tests may be primarily attributable to insurance carriers mandating the use of home sleep tests in patients with suspected obstructive sleep apnea. According to the *Journal of Clinical Sleep Medicine*, in its 2014 article, "The Future of Sleep Technology: Report from an American Association of Sleep Technologists Summit Meeting," "... the demand for sleep disorders testing has increased dramatically in the past decade, insurers will work to reduce costs by turning to less expensive diagnostic alternatives, such as home sleep testing." Ex. C, pp. 97-98.

11. The Middlebury Center, which is 2.2 miles from the Southbury location, has been able to accommodate all Southbury Center patients and in 2015 was operating at 55% of its capacity.

**TABLE 4
SLEEP STUDY CAPACITY AT THE MIDDLEBURY CENTER**

Program Capacity	Middlebury Center
Beds	6
Days per Week	6
Current Capacity	1,872 (36 cases x 52 weeks)
FY 2015 Volume	1,022
FY 2015 Capacity (% Used)	55%
FY 2016 Projected Volume	998
FY 2016 Capacity (% Used)	53%

Ex. C, pp. 52, 54.

12. In 2010, the last full year in which the Southbury Center was in operation, it accounted for only 10% of the Applicant's total number of sleep studies, with 90% being performed at the Middlebury Center. Ex. C, p. 52.

13. The table below shows the other existing sleep laboratory providers in the Hospital's service area:

**TABLE 5
EXISTING SLEEP DISORDER CENTERS IN THE HOSPITAL'S SERVICE AREA**

Provider Name	Provider Location
Yale New Haven Sleep Medicine Center	New Haven
Connecticut Sleep Lab	New Britain
Sleep Wellness Center at Griffin Hospital	Derby
Saint Mary's Sleep Disorders Center	Naugatuck/Wolcott

Ex. C, p. 56

14. No capital expenditures will be incurred as a result of the proposal. Ex. A, p. 17.
15. As a result of closing the Southbury Center, the Applicant has realized operational gains of \$93,764 due to eliminated costs for rent, cleaning services and communications. Ex. C. p. 55.

16. The Applicant's historical payer mix by payer at the Southbury Center is as follows:

TABLE 6
APPLICANT'S PATIENT POPULATION MIX BY FISCAL YEAR

Description	FY 2009		FY 2010		FY 2011	
Medicare	321	21%	345	25%	334	28%
Medicaid	151	10%	176	13%	148	12%
CHAMPUS & TriCare SAGA	71	5%	60	4%	81	7%
Total Government	543	36%	581	42%	563	47%
Commercial Insurers*	947	64%	810	58%	627	53%
Uninsured						-
Worker's Comp	1	-	2			-
Total Non-Government	948	64%	812	58%	629	53%
Total Payer Mix	1,491	100%	1,393	100%	1,192	100%

Ex. C, p. 56.

17. Sleep services continue to be available to Medicaid recipients and indigent persons at the Middlebury Center. Ex. A, pp. 15, 25.
18. OHCA is currently in the process of establishing its policies and standards as regulations. Therefore, OHCA has not made any findings as to this proposal's relationship to any regulations not yet adopted by OHCA. (Conn. Gen. Stat. § 19a-639(a)(1)).
19. The application is consistent with the Statewide Health Care Facilities and Service Plan. (Conn. Gen. Stat. § 19a-639(a)(2)).
20. The Applicant has established that there is a clear public need for the proposal. (Conn. Gen. Stat. § 19a-639(a)(3)).
21. The Applicant has demonstrated that the proposal is financially feasible. (Conn. Gen. Stat. § 19a-639(a)(4)).
22. The Applicant has satisfactorily demonstrated that the proposal will maintain quality, accessibility and cost effectiveness of health care delivery in the region. (Conn. Gen. Stat. § 19a-639(a)(5)).
23. The Applicant has shown that there would be no change in the provision of health care services to the relevant populations and payer mix, including access to services by Medicaid recipients and indigent persons. (Conn. Gen. Stat. § 19a-639(a)(6)).
24. The Applicant has satisfactorily identified the population to be affected by this proposal. (Conn. Gen. Stat. § 19a-639(a)(7)).
25. The Applicant's historical provision of treatment in the service area supports this proposal. (Conn. Gen. Stat. § 19a-639(a)(8)).

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26. The Applicant has satisfactorily demonstrated that this proposal would not result in an unnecessary duplication of existing services in the area. (Conn. Gen. Stat. § 19a-639(a)(9)).
27. The Applicant has demonstrated that there will be no reduction in access to services by Medicaid recipients or indigent persons. (Conn. Gen. Stat. § 19a-639(a)(10)).
28. The Applicant has demonstrated that the proposal will not negatively impact the diversity of health care providers and patient choice in the region. (Conn. Gen. Stat. § 19a-639(a)(11)).
29. The Applicant has satisfactorily demonstrated that the proposal will not result in any consolidation that would affect health care costs or access to care. (Conn. Gen. Stat. § 19a-639(a)(12)).

Discussion

CON applications are decided on a case by case basis and do not lend themselves to general applicability due to the uniqueness of the facts in each case. In rendering its decision, OHCA considers the factors set forth in § 19a-639(a) of the Statutes. The Applicant bears the burden of proof in this matter by a preponderance of the evidence. *Jones v. Connecticut Medical Examining Board*, 309 Conn. 727 (2013).

The Applicant, a 357-bed acute-care hospital in Waterbury, Connecticut, provided diagnostic sleep services at two locations: the Crown Plaza Hotel, 1284 Strongtown Road, Southbury, CT (“Southbury Center”); and at Regional Sleep Lab, 1625 Straits Turnpike, Middlebury, CT (“Middlebury Center”) *FF1,2*. The Hospital is requesting authorization for its termination of sleep services at the Southbury Center. *FF6*. The primary reason for terminating the services at Southbury is the decrease in the number of in-lab sleep studies. *FF4*

The Applicant began offering sleep services at its Middlebury Center in 2005, which experienced significant growth until 2008. The Applicant projected continuing increases in demand that would exceed the capacity of the Middlebury Center. In 2009, OHCA granted approval to establish the two-bed Southbury Center as an “overflow” site. *FF3*. However, the increased demand never occurred. The Applicant projected 1,805 total sleep study patients for FY2010, but only served 1,395. Similarly, for FY2011, the Applicant projected 2,022 but only served 1,192 patients—with just 47 of them visiting the Southbury Center. *FF4,5*. On August 31, 2011, the Applicant ceased services at the Southbury Center but continued to serve patients and provide the same services at the Middlebury Center, which is located approximately two miles away. *FF6,11*.

The Middlebury Center’s patient volume has continued to decline since the closure of the Southbury Center, dropping from 1,115 patients in FY2012 to 1,022 in FY2015. *FF4*. The Middlebury sleep lab has capacity to provide 1,872 cases per year and has been able to accommodate all patients seeking sleep study services. *FF11*. Additionally, in 2012, the Applicant began offering home-based sleep studies for the diagnosis of obstructive sleep apnea. *FF8*.

Home-based sleep studies, which use unattended portable monitoring devices are used to diagnose obstructive sleep apnea. Home based tests are becoming increasingly more common due to the lower costs of a non-laboratory environment. *FF9,10*. Based upon the foregoing, the Applicant has sufficiently demonstrated that access to diagnostic sleep services has been maintained for the relevant patient population following the Applicant’s termination of services at the Southbury Center.

There were no capital costs associated with the closure. *FF14*. Additionally, as a result of the termination, the Applicant realized annual incremental gains of \$93,764 due to the elimination of room rental costs, cleaning services and communication expenses. *FF15*. As such, the proposal is financially feasible.

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Furthermore, the Applicant accepted Medicaid prior to the closure of the Southbury Center and has continued to do so at the Middlebury Center. *FF17*. Thus, there has been no impact on Medicaid patients as a result of the termination.

One of the overarching goals of the Statewide Health Care Facilities and Services Plan is the use of health care facility resources in an efficient, cost-effective manner while maintaining or improving patients' access to quality health care services. This proposal will allow for sleep services to be provided in a more cost-effective setting and eliminate the duplication of services in the Hospital's service area. It is also reflective of the changing model of sleep medicine service delivery that has the potential to reach a larger number of patients by eliminating the need to travel to a sleep lab. Thus, the Hospital has sufficiently demonstrated a clear public need for this proposal.

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Order

Based upon the foregoing Findings and Discussion, the Certificate of Need application of The Waterbury Hospital to terminate its diagnostic sleep services in Southbury, Connecticut, is hereby **APPROVED**.

All of the foregoing constitutes the final order of the Office of Health Care Access in this matter.

By Order of the
Department of Public Health
Office of Health Care Access

12/19/2016

Date



Yvonne Addo, MBA
Deputy Commissioner