



## Office of Health Care Access Certificate of Need Application

### Final Decision

**Applicant:** Lawrence & Memorial Hospital

**Docket Number:** 02-504

**Project Title:** Expansion of Outpatient Services in Old Saybrook

**Statutory Reference:** Section 19a-638, Connecticut General Statutes

**Filing Date:** March 11, 2002

**Hearing Dates:** Not Applicable

**Presiding Officer:** Raymond J. Gorman, Commissioner

**Decision Date:** March 22, 2002

**Default Date:** June 10, 2002

**Staff:** Sandra Czunas  
Kim Martone

**Project Description:** Lawrence & Memorial Hospital (“Hospital”) proposes to expand the outpatient services, currently offered by the Hospital, to a new off-campus site in Old Saybrook, Connecticut, at a total capital expenditure of \$225,615.

**Nature of Proceedings:** On March 11, 2002, the Office of Health Care Access (“OHCA”) received the Hospital’s Certificate of Need (“CON”) application seeking authorization to expand outpatient services, currently offered by the Hospital, to a new off-campus site in Old Saybrook, Connecticut. The proposal has a total capital expenditure of \$225,615. The Hospital is a health care facility or institution as defined by Section 19a-630 of the Connecticut General Statutes (“C.G.S.”).

OHCA's authority to review, approve, modify or deny this proposal is established by Section 19a-638, 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**

#### **Impact on the Hospital's Current Utilization Statistics**

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

1. Lawrence & Memorial Hospital is a non-profit hospital located in New London, Connecticut. (*CON Determination Report 01-Q4, January 22, 2002*)
2. The Hospital proposes to expand the following outpatient services to a new, off-campus location at 633 Middlesex Turnpike in Old Saybrook:
  - Community education programs;
  - Diagnostic Imaging and screening mammography;
  - Phlebotomy services; and
  - Rehabilitation services (physical, occupational and speech therapies).(*CON Application, March 11, 2002, page 16*)
3. Phlebotomy and Rehabilitation services are exempt services pursuant to Section 19a-639a of the Connecticut General Statutes. (*CON Application, March 11, 2002, page 16*)
4. The service area of the proposed off-campus facility includes the following towns: East Lyme, Essex, Lyme, Old Lyme, Old Saybrook, and Westbrook. (*CON Application, March 11, 2002, page 18*)
5. The Hospital based the need for the off-campus outpatient facility on the following:
  - Increased demand and capacity;
  - Improved geographic and local access;
  - Scheduling backlogs; and
  - Reduced travel time.(*CON Application, March 11, 2002 pages 17-24*)
6. Continued off-campus development is an essential component of the Hospital's overall ambulatory strategy and will improve patient access to services, respond to pressure from payors to move services out of the hospital setting and support physician practices located in the communities. (*CON Application, March 11, 2002, page 17*)
7. The Hospital chose the Old Saybrook site for the following reasons:

- Population growth in the service area towns has been significant over the past ten years; and
- Old Saybrook represents the commerce center for its surrounding towns and in addition, is easily accessible to the residents of Westbrook and Essex.

*(CON Application, March 11, 2002, pages 17-19)*

8. In 1999, the Hospital engaged Health Strategies & Solutions, Inc. to assist management in developing an ambulatory services strategic plan. The facilities assessment found the following:
  - Continued growth in outpatient volumes will increase concerns about current space and patient flow deficits;
  - Overall demand for ambulatory services in the Hospital’s service area will continue to increase 5% to 7% per year because of population growth and aging, technological advances, reimbursement pressures and purchases expectations;
  - Diagnostic Imaging experienced a 54% growth rate from years 1996-1998; and
  - Capacity constraints exist in several ambulatory services.

*(CON Application, March 11, 2002, Attachment 1)*
9. The Hospital’s proposal addresses the need to grow ambulatory services in the Hospital’s secondary service area, specifically in the western region, as recommended by HSS. *(CON Application, March 11, 2002, page 17 and Attachment 1)*
10. The Hospital’s utilization statistics for the proposed outpatient services currently offered at the main Hospital campus and/or at the Pequot and Flanders Health Centers in Fiscal Years (“FY”) 1999-2001 are as follows:

**Current Utilization Statistics by Proposed Outpatient Services  
 FYs 1999-2001**

Type of Service	FY 1999	FY 2000	FY 2001	Annualized FY 2002
Community Education*	3,155	4,077	2,992**	NA
Diagnostic Radiology	59,725	63,226	64,178	66,102
Mammography	15,416	17,988	18,260	19,944
<b>Total</b>	<b>78,296</b>	<b>85,291</b>	<b>85,430</b>	<b>86,046</b>

\*These include various wellness programs, parent education, infant massage, and playgroups.

\*\*The Wellness program: Living Well was not offered.

*(CON Application, March 11, 2002, pages 19-21)*

11. The main Hospital campus experienced wait times for mammography services that ranged from 1-24 days in FY 2001 and 31-40 days in January 2002. *(CON Application, March 11, 2002, page 21)*
12. The residents of the Hospital’s secondary service area towns currently travel between 8 and 25 miles for outpatient services at the main Hospital campus. The proposed off-campus outpatient facility in Old Saybrook will be located 3 to 11 miles from the residents of the Hospital’s secondary service area towns. *(CON Application, March 11, 2002, page 23)*

13. The Hospital projects the following utilization statistics for the first three years of operation of the outpatient facility:

<b>Volume Projections by Proposed Outpatient Service</b>			
<b>Type of Service</b>	<b>FY 2002*</b>	<b>FY 2003</b>	<b>FY 2004</b>
Diagnostic Radiology	800	2,500	2,875
Mammography	800	2,200	2,496
<b>Total</b>	<b>1,600</b>	<b>4,700</b>	<b>5,371</b>

\* FY 02 represents six months of activity  
(CON Application, March 11, 2002, page 26)

14. The proposed hours of operation for the Old Saybrook location are as follows:

**Diagnostic Imaging/Mammography:**

Initial hours for x-ray services will be Monday-Friday, 8:30am-5:00pm. If volume warrants addition hours, Saturday from 7:00am-3:30pm will be added. Mammograms will initially be scheduled two days per week. Additional days will be added as volume increases.

**Community Education Programs:**

Community education programs will be offered at various times during the day and evening. Classes are scheduled at convenient times for those attending.

(CON Application, March 11, 2002, page 23)

15. The Hospital anticipates that the expansion of outpatient services to the Old Saybrook location will result in minimal impact on existing providers. Projected volume for the Old Saybrook facility is based mostly on referrals from physicians who will occupy the building and some shifted volume from the Flanders facility. (CON Application, March 11, 2002, page 24)

### **Financial Feasibility of the Proposal and its Impact on the Hospital's Rates and Financial Condition**

16. The proposal has a total capital expenditure of \$225,615 for movable equipment. (CON Application, March 11, 2002, page 30)
17. The proposal will be financed in its entirety with Hospital equity through operations. (CON Application, March 11, 2002, page 32)
18. The Hospital plans to lease a building owned by the developer Real Estate Asset Development Company located at 633 Middlesex Turnpike in Old Saybrook. (CON Application, March 11, 2002, page 16)
19. The building at 633 Middlesex Turnpike is 24,720 square feet. The Hospital plans to lease 9,913 square feet of this space while the remaining space will be leased to physicians or other health related tenants. (CON Application, March 11, 2002, page 16)
20. The Hospital proposes to hire 4.9, 8.1, and 8.2 Full-Time Equivalents ("FTEs") in FYs 2002, 2003, and 2004, respectively, to staff the outpatient facility in Old

Saybrook. *(CON Application, March 11, 2002, page 245, Attachment 15)*

21. The Hospital projects an initial loss from operations of \$65,181 in FY 2002 and \$77,248 in FY 2003. The incremental loss is due to the costs associated with the establishment of a new location and the time required to establish sufficient volume. The Hospital projects a gain of \$150,851 incremental to the proposal in FY 2004. *(CON Application, March 11, 2002, pages 34&245, Attachment 15)*
22. If volume projections are achieved, the Hospital's rates are sufficient to cover the proposed capital expenditure and operating costs. *(CON Application, March 11, 2002, page 245, Attachment 15)*

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

The following findings are made pursuant to principles and guidelines set forth in Section 19a-637, C.G.S.:

23. There is no State Health Plan in existence at this time. *(CON Application, March 11, 2002, page 17)*
24. The Hospital has adduced evidence that this proposal is consistent with the Hospital's long-range plan. *(CON Application, March 11, 2002, page 17)*
25. The Hospital has improved productivity and contained costs by participating in energy conservation programs, group purchasing, and applications of technology. *(CON Application, March 11, 2002, pages 28&29)*
26. There are no distinguishing characteristics of the Hospital's patient/physician mix. *(CON Application, March 11, 2002, page 29)*
27. The [Hospital](#) has sufficient technical, financial and managerial competence to provide efficient and adequate service to the public. *(CON Application, March 11, 2002, page 25 and Attachment VII)*

## **Rationale**

Lawrence & Memorial Hospital proposes to expand its current outpatient services offered by the Hospital at the main campus or the other two off-campus locations to Old Saybrook. The need to expand the community education programs, diagnostic imaging and screening mammography, phlebotomy and rehabilitation services in Old Saybrook is based on increased demand and capacity, improved geographic and local access, scheduling backlogs, and reduced travel times. Continued off-campus development is an

essential component of the Hospital's overall ambulatory strategy and will improve patient access to services, respond to pressure from payors to move services out of the hospital setting and support physician practices located in the communities. The Hospital chose the Old Saybrook site due to the significant population growth in the service area towns over the past ten years. Old Saybrook represents the commerce center for its surrounding towns and is easily accessible to the residents of Westbrook and Essex.

Health Strategies & Solutions, Inc.'s ("HHS") facilities assessment found that the continued growth in outpatient volumes would result in current space and patient flow deficits. Overall demand for ambulatory services in the Hospital's service area will continue to increase 5% to 7% per year because of population growth and aging, technological advances, reimbursement pressures and purchases expectations. Diagnostic imaging alone experienced a 54% growth rate from years 1996-1998. This increased demand will result in capacity constraints in several outpatient services on the main Hospital campus. The Hospital's proposal addresses the growth in outpatient services in the Hospital's secondary service area, specifically in the western region, as recommended by HSS. OHCA finds that the Hospital's proposed outpatient facility will improve the quality and accessibility of the services currently offered at the Hospital's main campus.

The Hospital's utilization statistics for the proposed outpatient services currently offered at the main Hospital campus and/or at the Pequot and Flanders Health Centers in FYs 1999-2001 were 78,296, 85,291, 85,430, and 86,046 for FYs 1999, 2000, 2001, and annualized 2002, respectively. The main Hospital campus experienced wait times for mammography services that ranged from 1-24 days in FY 2001 and 31-40 days in January 2002. The residents of the Hospital's secondary service area towns currently travel between 8 and 25 miles for outpatient services at the main Hospital campus. The proposed off-campus outpatient facility in Old Saybrook will be located 3 to 11 miles from the residents of the Hospital's secondary service area towns. The Hospital projects a total of 1,600, 4,700, and 5,371 diagnostic radiology procedures and mammography exams for the first three years of operation of the outpatient services in Old Saybrook. The Hospital anticipates that the expansion of outpatient services to the Old Saybrook location will result in minimal impact on existing providers. Projected volume for the Old Saybrook facility is based mostly on referrals from physicians who will occupy the building and some shifted volume from the Flanders facility. OHCA finds that the Hospital's proposed outpatient facility will improve access to outpatient services, especially mammography, for the residents of the service area towns who currently travel to the Hospital for such care. Therefore, the Hospital's proposal is in the best interests of consumers and payers of health care services.

Finally, the proposal is financially feasible. The total capital expenditure of \$225,615 for moveable equipment will be financed entirely from Hospital equity through operations. The Hospital plans to lease 9,913 square feet of space in a 24,720 square foot building owned by the developer Real Estate Asset Development Company for the outpatient facility in Old Saybrook. The remaining space will be leased to physicians or other health related tenants. The Hospital proposes to hire 4.9, 8.1, and 8.2 FTEs in FYs 2002,

2003, and 2004, respectively, to staff the Old Saybrook site. The Hospital projects an initial loss from operations of \$65,181 in FY 2002 and \$77,248 in FY 2003. The incremental loss is due to the costs associated with the establishment of a new location and the time required to establish sufficient volume. The Hospital projects a gain of \$150,851 incremental to the proposal in FY 2004. If volume projections are achieved, the Hospital's rates are sufficient to cover the proposed capital expenditure and operating costs.

Based on the foregoing Findings and Rationale, the Certificate of Need application of Lawrence & Memorial Hospital to expand the outpatient services, currently offered by the Hospital, to a new off-campus site in Old Saybrook, Connecticut, at a total capital expenditure of \$225,615 is hereby granted.

## Order

The proposal of Lawrence & Memorial Hospital is hereby authorized to expand the outpatient services, currently offered by the Hospital, to a new off-campus site in Old Saybrook, Connecticut, at a total capital expenditure of \$225,615, subject to the following condition:

1. This authorization shall expire on March 22, 2003, unless the Hospital presents evidence to OHCA that the outpatient services in Old Saybrook have commenced by that date.

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

March 22, 2002  
Date

Signed by  
Raymond J. Gorman  
Commissioner

RJG:km:sec  
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