



## Office Of Health Care Access Certificate of Need Application

### Final Decision

**Applicant:** Saint Francis Hospital and Medical Center

**Docket Number:** 03-30053

**Project Title:** Upgrade of Radiation Therapy Service Equipment for IMRT Technology

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

**Filing Date:** July 11, 2003

**Hearing:** Waived

**Decision Date:** August 8, 2003

**Default Date:** October 9, 2003

**Staff Assigned:** Harold M. Oberg

**Project Description:** Saint Francis Hospital and Medical Center (“Hospital”) proposes to upgrade its Radiation Therapy service equipment for IMRT technology, at a total capital expenditure of \$2,970,745. The Hospital’s proposal includes the upgrade of two linear accelerators with new collimators and software, the replacement of its existing radiation therapy treatment planning computers and software, and the replacement of its stereotactic radiosurgery equipment in order to acquire new Radiation Therapy service equipment that is compatible with IMRT technology.

**Nature of Proceedings:** On July 11, 2003, the Office of Health Care Access (“OHCA”) received a Certificate of Need (“CON”) application from Saint Francis Hospital and Medical Center for the upgrading of its Radiation Therapy service equipment for IMRT technology, at a total capital expenditure of \$2,970,745. The Hospital is a health care facility or institution as defined by Section 19a-630 of the Connecticut General Statutes (“C.G.S.”).

The Hospital requested a waiver of hearing for the CON application pursuant to Section 19a-643-45 of OHCA's Regulations, and claimed that the CON application is non-substantive as defined in Section 19a-643-95(3) of OHCA's Regulations. On July 18, 2003, the Hospital was informed that the CON application was eligible for consideration of waiver of public hearing, and a notice to the public was published in the *Hartford Courant*. OHCA received no comments from the public concerning the Hospital's request for waiver of hearing during the public comment period, and therefore on August 5, 2003, OHCA granted the Hospital's request for waiver of hearing.

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**

#### **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. Saint Francis Hospital and Medical Center ("Hospital") is an acute care hospital located at 114 Woodland Street and 500 Blue Hills Avenue in Hartford, Connecticut. The Hospital's total licensed bed capacity of 682 beds and bassinets includes 617 licensed beds and 65 licensed bassinets. (*July 11, 2003 CON Application, Page 297*)
2. The Hospital proposes to upgrade its Radiation Therapy service equipment for IMRT technology, at a total capital expenditure of \$2,970,745. The Hospital's proposal includes the upgrade of two linear accelerators with new collimators and software, the replacement of its existing radiation therapy treatment planning computers and software, and the replacement of its stereotactic radiosurgery equipment in order to acquire new Radiation Therapy service equipment that is compatible with IMRT technology. (*July 11, 2003 CON Application, Pages 2, 3 and 7*)
3. IMRT, or Intensity Modulated Radiation Therapy, is one of the latest advanced technology treatment methods available in external beam radiation therapy, which allows very precise external beam radiotherapy treatments. Rather than having a single large beam, with IMRT the radiation is effectively broken down into thousands of tiny radiation beams entering the body from many angles that intersect cancer sites at a higher dose than conventional treatment. This results in a higher dose to the tumor and a lower dose to the surrounding healthy tissue. (*April 16, 2003 Letter of Intent, Project Description*)
4. The Hospital proposes to upgrade its two linear accelerators with new collimators and software and to replace its treatment planning system computers and software. The current computer software that calculates the radiation dose distribution to the patient is eight years old and obsolete, and the existing eight-year old linear accelerator

collimators are also obsolete. The replacement treatment planning system computers and software will be able to handle both IMRT and standard radiation treatment planning functions. *(July 11, 2003 CON Application, Page 5 and 6)*

5. The Hospital also proposes to replace its stereotactic radiosurgery equipment that has become obsolete as new stereotactic radiosurgery systems have been introduced, which allow faster and more precise treatments. The Hospital indicated that its current stereotactic radiosurgery system is cumbersome and slow, with treatments taking up to 12 hours in total necessitating that patients remain at the Hospital's Cancer Center until 7:00 to 9:00 in the evening. The Hospital has made an increasing number of referrals to centers in New Haven, Boston and New York, where better systems are currently available. *(July 11, 2003 CON Application, Pages 7 and 8)*
6. The Hospital believes that the Radiation Therapy procedures that can be performed utilizing the new IMRT technology will improve the probability of cure and patient outcomes, reduce morbidity and increase the quality of life of patients through reduced complications, which may be caused by radiation delivery, and a reduction in patients' side effects. *(July 11, 2003 CON Application, Page 7)*
7. The Hospital's actual Radiation Therapy procedure volume was 26,660 procedures in FY 2000, 26,356 procedures in FY 2001 and 27,740 procedures in FY 2002. *(July 11, 2003 CON Application, Pages 169 and 170)*
8. The Hospital's projected Radiation Therapy procedure volume for FY 2003, FY 2004 and FY 2005 is as follows: *(July 11, 2003 CON Application, Page 343)*

**Table 1: Hospital's Projected Rad. Ther. Procedures for FY 2003, FY 2004 and FY 2005**

<b>Description</b>	<b>FY 2003</b>	<b>FY 2004</b>	<b>FY 2005</b>
Projected RT Procedures: With the CON Proposal	24,534	24,975	25,422
Projected RT Procedures: Without the CON Proposal	24,534	24,534	24,534
<b>Projected RT Procedures: Incremental to the Proposal</b>	<b>0</b>	<b>441</b>	<b>888</b>

9. The Hospital stated that it has experienced some decline in Radiation Therapy procedures in FY 2003 due to the growth of two Radiation Therapy centers located nearby particularly in Manchester. The Hospital anticipates that due to the increase in cancer incidence rates and the general aging of the population in the service area, demand for radiation therapy services at all provider locations will increase over the next several years. *(July 11, 2003 CON Application, Page 9)*
10. The Hospital's Radiation Therapy services are currently provided on Monday through Friday from 8:00 a.m. to 4:30 p.m. The Hospital will not change the days and hours of operation of its Radiation Therapy service as a result of the implementation of the CON proposal. *(July 11, 2003 CON Application, Page 4)*

**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**

11. The Hospital's total capital expenditure of \$2,970,745 for the CON proposal includes the following capital cost components: *(July 11, 2003 CON Application, Pages 15 and 344)*

**Table 2: Hospital's Total Capital Expenditure for the CON Proposal**

Description	Total
Replacement Linear Accelerator Collimators and Software	\$ 1,567,238
Replacement Treatment Planning System Computers and Software	697,527
Replacement Stereotactic Radiosurgery Equipment	695,980
Building Renovations	10,000
<b>Total Capital Expenditure for the CON Proposal</b>	<b>\$2,970,745</b>

12. The total capital expenditure of \$2,970,745 will be financed entirely by an equity contribution from Hospital funded depreciation. *(July 11, 2003 CON Application, Page 16)*
13. The Hospital projects incremental revenue from operations, total operating expense and gain from operations associated with the CON proposal as follows: *(July 11, 2003 CON Application, Page 343)*

**Table 3: Hospital's Incremental Financial Projections for FY 2003, FY 2004 and FY 2005**

Description	FY 2003	FY 2004	FY 2005
Incremental Revenue from Operations	\$ 0	\$1,025,135	\$1,366,846
Incremental Total Operating Expense	0	607,774	1,014,443
<b>Incremental Gain from Operations</b>	<b>\$ 0</b>	<b>\$ 417,361</b>	<b>\$ 352,403</b>

14. The Hospital anticipates that the Radiation Therapy service equipment upgrade for IMRT technology will be completed and the upgraded equipment will commence operation in January 2004. *(July 11, 2003 CON Application, Page 350)*
15. The Hospital's projected payer mix during the first three years of implementation and operation of the CON proposal is as follows: *(July 11, 2003 CON Application, Page 342)*

**Table 4: Hospital's Three-Year Projected Payer Mix**

Payer Mix	Year 1	Year 2	Year 3
Medicare	43.0%	43.0%	43.1%
Medicaid	15.9%	15.9%	15.7%
TriCare	0.1%	0.1%	0.1%
<b>Total Government</b>	<b>59.0%</b>	<b>59.0%</b>	<b>58.9%</b>
Commercial Insurers	36.1%	36.1%	36.1%
Self-Pay	2.0%	2.0%	2.0%
Workers Compensation	0.8%	0.8%	0.8%
<b>Total Non-Government</b>	<b>38.9%</b>	<b>38.9%</b>	<b>38.9%</b>
Uncompensated Care	2.1%	2.1%	2.2%
<b>Total Payer Mix</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

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

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

16. There is no State Health Plan in existence at this time. *(July 11, 2003 CON Application, Page 3)*
17. The Hospital has adduced evidence that the proposal is consistent with the Hospital's long-range plan. *(July 11, 2003 CON Application, Page 3)*
18. The Hospital has improved productivity and contained costs by undertaking energy conservation, reengineering, application of new technology and group purchasing activities. *(July 11, 2003 CON Application, Pages 12, 13 and 14)*
19. The proposal will not result in any change to the Hospital's teaching and research responsibilities. *(July 11, 2003 CON Application, Page 14)*
20. There are no distinguishing or unique characteristics of the Hospital's patient/physician mix related to the proposal. *(July 11, 2003 CON Application, Page 14)*
21. The Hospital has sufficient technical, financial and managerial competence and expertise to provide efficient and adequate service to the public. *(July 11, 2003 CON Application, Pages 265-275 and July 22, 2003 Supplemental CON Application Filing, Pages 1-5)*

## **Rationale**

Saint Francis Hospital and Medical Center ("Hospital") proposes to upgrade its Radiation Therapy service equipment for Intensity Modulated Radiation Therapy or IMRT technology, at a total capital expenditure of \$2,970,745. The Hospital's proposal includes an upgrade of its two linear accelerators with new collimators and software, the replacement of its radiation therapy treatment planning computers and software, and the replacement of its stereotactic radiosurgery equipment in order to acquire new Radiation Therapy service equipment that is compatible with IMRT technology.

The Hospital's existing linear accelerator collimators and the software that calculates the radiation dose distribution to the patient are eight years old and obsolete and must be replaced. The new replacement treatment planning computers and software will be able to perform both IMRT and standard radiation treatment planning functions. In addition, the Hospital's stereotactic radiosurgery equipment has also become obsolete as new stereotactic radiosurgery systems have been introduced, which allow faster and more precise treatments. The Hospital's current stereotactic radiosurgery system is cumbersome and slow and the Hospital has made an increasing number of referrals of its patients to centers in New Haven, Boston and New York, where better systems are currently available.

The Radiation Therapy procedures that can be performed utilizing the new IMRT technology will improve the probability of cure and patient outcomes, reduce morbidity and increase the quality of life of patients through reduced complications, which may be caused by radiation delivery, and a reduction in patients' side effects. The Hospital has experienced some decline in Radiation Therapy procedures in FY 2003 due to the growth of two Radiation Therapy centers located nearby. However, the Hospital anticipates that

due to the increase in cancer incidence rates and the general aging of the population in the Hospital's service area, demand for radiation therapy services at all provider locations will increase over the next several years. Based on the foregoing reasons, OHCA finds that the CON proposal will improve both the quality and accessibility of the Hospital's existing Radiation Therapy service.

The proposal's total capital expenditure of \$2,970,745 will be funded entirely by an equity contribution of \$2,970,745 from the Hospital's funded depreciation. The Hospital projects incremental Radiation Therapy procedures of 0 in FY 2003, 441 in FY 2004 and 888 in FY 2005 due to the CON proposal. In addition, the Hospital also projects incremental gains from operations of \$0 in FY 2003, \$417,361 in FY 2004 and \$352,403 in FY 2005 due to the CON proposal. The Hospital's volume projections and the financial projections upon which they are based appear to be reasonable and achievable. Therefore, OHCA finds that the CON proposal is both financially feasible and cost effective.

Based upon the foregoing Findings and Rationale, the Certificate of Need application of Saint Francis Hospital and Medical Center to upgrade its Radiation Therapy service equipment for IMRT technology, at a total capital expenditure of \$2,970,745, is hereby GRANTED.

## **Order**

Saint Francis Hospital and Medical Center (“Hospital”) is hereby authorized to upgrade its Radiation Therapy service equipment for IMRT technology, at a total capital expenditure of \$2,970,745, subject to the following conditions:

1. This authorization shall expire on August 31, 2005. Should the Hospital’s Radiation Therapy service equipment upgrade project 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 not exceed the approved capital expenditure of \$2,970,745. In the event that the Hospital learns of potential cost increases or expects that final project costs will exceed those approved, the Hospital shall file with OHCA a request for approval of the revised CON project budget.
3. This authorization requires the removal of the Hospital’s existing Radiation Therapy service equipment items to be upgraded for certain disposition, such as sale or salvage, outside of and unrelated to the Hospital’s service provider locations. Furthermore, the Hospital will provide evidence to OHCA of the disposition of the Radiation Therapy service equipment items to be upgraded, by no later than six months after the new replacement Radiation Therapy service equipment items have become operational.

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

Date signed:  
August 8, 2003

Singed by:  
Mary M. Heffernan  
Commissioner

MMH:ho

**Table Descriptions**

**Saint Francis Hospital and Medical Center  
Upgrade of Radiation Therapy Service Equipment for IMRT Technology  
CON Final Decision, Docket Number 03-30053**

**Table 1**

Title: Projected Radiation Therapy Procedures for FY 2003, FY 2004 and FY 2005

The Hospital's projected number of Radiation Therapy procedures with the CON proposal is 24,534 in FY 2003, 24,975 in FY 2004 and 25,422 in FY 2005. The Hospital's projected number of Radiation Therapy procedures without the CON proposal is 24,534 in FY 2003, 24,534 in FY 2004 and 24,534 in FY 2005. The Hospital's projected number of Radiation Therapy procedures incremental to the CON proposal is 0 in FY 2003, 441 in FY 2004 and 888 in FY 2005.

**Table 2**

Title: Hospital's Total Capital Expenditure for the CON Proposal

The total capital expenditure for the CON proposal is \$2,970,745 and includes \$1,567,238 for replacement linear accelerator collimators and software, \$697,527 for replacement treatment planning system hardware and software, \$695,980 for replacement stereotactic radiosurgery equipment and \$10,000 for building renovations.

**Table 3**

Title: Hospital's Incremental Financial Projections for FY 2003, FY 2004 and FY 2005

The projected incremental revenue from operations for the proposal is \$0 in FY 2003, \$1,025,135 in FY 2004 and \$1,366,846 in FY 2005. The projected incremental total operating expense for the proposal is \$0 in FY 2003, \$607,774 in FY 2004 and \$1,014,443 in FY 2005. The projected incremental revenue over expense for the proposal is \$0 in FY 2003, \$417,361 in FY 2004 and \$352,403 in FY 2005.

**Table 4**

Title: Hospital's Three-Year Projected Payer Mix

The projected payer mix remains constant in each category for the first three years of implementation and operation of the two replacement MRI units. Total Government reimbursement is projected to account for 59.0% of total reimbursement with Medicare at 43.0%, Medicaid at 15.9% and TriCare (Champus) at 0.1%. Total Non-Government reimbursement is projected to account for 38.9% of total reimbursement with Commercial Insurers at 36.1%, Self-Pay Patients at 2.0% and Workers Compensation at 0.8%. Uncompensated Care is projected to be 2.1% of total reimbursement.