



## Office of Health Care Access Certificate of Need Application

### Final Decision

**Applicant:** Johnson Memorial Hospital

**Docket Number:** 03-30186-CON

**Project Title:** Establish a Transportable Lithotripsy Service

**Statutory Reference:** Sections 19a-638 and 19a-639, Connecticut General Statutes

**Filing Date:** December 17, 2003

**Decision Date:** January 16, 2004

**Default Date:** March 16, 2004

**Staff Assigned:** Steven Lazarus

**Project Description:** Johnson Memorial Hospital (“Hospital”) proposes to establish a transportable lithotripsy service, at a total capital cost of \$600,000, which is the fair market value of the lithotripsy equipment

**Nature of Proceedings:** On December 17, 2003 the Office of Health Care Access (“OHCA”) received Johnson Memorial Hospital’s Certificate of Need (“CON”) application seeking authorization to establish a transportable lithotripsy service, at a capital cost of \$600,000, which is the fair market value of the lithotripsy equipment. The Hospital is a health care facility or institution as defined by Section 19a-630 of the Connecticut General Statutes (“C.G.S.”).

On December 22, 2003, the Hospital was informed that the CON application was noticed to the public in the *Journal Inquirer* of Manchester. OHCA received no comments from the public concerning the Hospital’s proposal.

OHCA's authority to review and approve, modify or deny this application is established by Sections 19a-638 and 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

#### **Proposal's Contribution to Accessibility 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. Johnson Memorial Hospital ("Hospital") is an acute care hospital located at 201 Chestnut Hill Road in Stafford Springs, Connecticut. *(September 25, 2003, Letter of Intent, page 2)*
2. The Hospital proposes to establish a transportable lithotripsy service. This service is currently unavailable at the Hospital. As such, the lithotripsy service will augment available care for patients who present with kidney stones. *(December 17, 2003, CON Application, page 1)*
3. Municipalities in the Hospital's primary and secondary service areas include Ashford, Eastford, East Granby, East Windsor, Ellington, Enfield, Somers, South Windsor, Suffield, Stafford Springs, Tolland, Union, Vernon, and Willington. *(December 17, 2003, CON Application, page 3)*
4. The Hospital proposes to enter into a fee-for-service agreement with United Medical Systems, Connecticut Lithotripsy, LP ("Vendor") for the provision of the lithotripsy service. The Hospital will be charged on a per procedure basis and is required to perform a minimum of three procedures per month, for a total of 36 procedures per year. *(December 17, 2003, CON Application, pages 2 and 4)*
5. The service will be provided in one of the Hospital's operating rooms. The Vendor will furnish the equipment and personnel to assist the Hospital's physician(s). *(December 17, 2003, CON Application, pages ii and 1)*
6. The Vendor will use a Dornier Compact S lithotripter. This unit shortens treatment time and facilitates stone localization. The fair market value of the lithotripsy equipment is \$6000,000. *(December 17, 2003, CON Application, pages 6)*
7. Dr. J. Paul Reheis, a urologist who has privileges at the Hospital, will provide lithotripsy services. *(December 17, 2003, CON Application, pages 2, 6, and 7)*
8. The Hospital used two need methodologies in developing its projections.

- a. "Maine Standard" - This population based methodologies employs a use rate of 71.1 lithotripsy procedures per 100,000 persons to the Hospital's primary service area population. This results in approximately 132 persons in the service area who would require lithotripsy services. The Hospital's market share of 47% was then applied to the 132 persons identified in the service area, which results in 62 patients who might be expected to use the proposed service
  - b. "Stamford Hospital" - This methodology assumes that 3% of the population will experience kidney stones at some point in their lives, and that when this number is multiplied by a factor of .0454 to take account for patients who pass the stone without intervention, who need a urologic procedure of another type and a 5 year probability that the stones will need treatment. Application of this methodology results in 253 patients in the primary service area. Application of the 47 % market share identifies 119 patients who might be expected to use the proposed service at the Hospital. *(December 17, 2003, CON Application, pages 6 and 39-41)*
9. The Hospital projects that it will perform 72 procedures during Year 1, 120 procedures during Year 2, and 150 procedures during Year 3. *(December 17, 2003, CON Application, pages 6, 7, and 229)*
  10. There are no existing providers of the proposed service in the Hospital's primary service area. Rockville General Hospital ("Rockville Hospital"), located in the secondary service area, provides lithotripsy services two days per month. Urologists who have privileges at Rockville Hospital will continue to treat their patients at that site. *(December 17, 2003, CON Application, pages 5-6)*
  11. At the proposal's inception, the lithotripsy service's hours of operation will be 8:00 am to 5:00 pm one day per month. One additional day with the lithotripter may be scheduled if volume warrants such an addition. *(December 17, 2003, CON Application, pages ii and 1)*

**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**

12. The total capital cost of the proposed CON is \$600,000, which is the fair market value of the lithotripsy equipment. *(December 17, 2003, CON Application, page 14)*
13. The Hospital proposes to enter into a fee-for-service agreement with the Vendor. For the first year, the charge per procedure will be \$5,500. The procedure charge will increase by 5% per year. *(December 17, 2003, CON Application, page 228)*

14. The Hospital projects revenue incremental to the project of \$495, \$6,980, and \$9,567 for FYs 2004, 2005, and 2006, respectively. *(December 17, 2003, CON Application, page 232)*
15. The Hospital will bill for the proposed service. *(December 17, 2003, CON Application, page 14)*
16. The Hospital's projected payer mix for the first three years of operation associated with the CON proposal is as follows:

**Table 1: Payer Mix Percentages**

Payer Source	Year One	Year Two	Year Three
Medicare	44.0%	44.0%	44.0%
Medicaid	7.1%	7.1%	7.1%
Commercial Insurers	45.9%	45.9%	45.9%
Uncompensated Care	3%	3%	3%
<b>Total Payer Mix</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

*(December 17, 2003, CON Application, page 17)*

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

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

17. There is no State Health Plan in existence at this time. *(December 17, 2003, CON Application, page 1)*
18. The Hospital has adduced evidence that this proposal is consistent with their long-range plans. *(December 17, 2003, CON Application, page 1)*
19. The Hospital has improved productivity and contained costs through:
  - (a) group purchasing efforts such as Premier and the Connecticut Hospital Association;
  - (b) energy conservation initiatives such as the replacement of inefficient chillers and valves and the addition of efficient lighting and lighting controls; and
  - (c) the application of technology programs such as Drug Index and MIDAS upgrade. *(December 17, 2003, CON Application, pages 11 and 12)*
20. The proposal will not result in changes to the Hospital's current teaching and research responsibilities. *(December 17, 2003, CON Application, page 12)*
21. There are no distinguishing characteristics of the Hospital's patient/physician mix. *(December 17, 2003, CON Application, page 12)*

22. The Hospital has sufficient financial, managerial, and technical competence to provide efficient and adequate service to the public. (*December 17, 2003, CON Application, pages 203-215 and 228-232*)

## Rationale

Johnson Memorial Hospital (“Hospital”) proposes to establish a transportable lithotripsy service at a total capital cost of \$600,000, which represents the fair market value of the lithotripsy equipment. The Hospital proposes to enter into a fee-for-service agreement with United Medical Systems, Connecticut Lithotripsy, LP (“Vendor”) for the provision of the lithotripsy service. Under this arrangement, the Hospital agrees to perform a minimum of 36 procedures a year and will only pay for the services it uses. The service will be provided in one of the Hospital’s operating rooms. The Vendor will furnish the equipment, a Dornier Compact S lithotripter, and personnel to assist Hospital physicians with the provision of the lithotripsy service. As this proposal is for the establishment of a service currently unavailable at the Hospital, OHCA finds that this initiative will improve the overall quality of care to patients in the region.

The Hospital employed two need methodologies in its analysis of the need for the proposal. The methodologies demonstrate that 62 – 119 residents of the service area were likely to use the proposed lithotripsy services. The Hospital projects that it will perform 72 procedures during Year 1, 120 procedures during Year 2, and 150 procedures during Year 3. Further, the Hospital projects revenue incremental to the project of \$495, \$6,980 and \$9,567 for Fiscal Years 2004, 2005, and 2006, respectively. Based upon the projected utilization for the proposal, these financial projections appear reasonable and achievable.

Based on the foregoing Findings and Rationale, the Certificate of Need application of Johnson Memorial Hospital to establish a transportable lithotripsy service, is hereby **GRANTED**.

## Order

The request of Johnson Memorial Hospital to establish a transportable lithotripsy service, is approved subject to the following conditions:

1. The authorization shall expire January 20, 2005. Should the Hospital's project not be implemented by that date, Johnson Memorial Hospital must seek further approval from OHCA to complete the project beyond that date.
2. There is no capital expenditure associated with the proposal. 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

Date signed:

Signed by:

\_\_\_\_\_

\_\_\_\_\_  
Cristine A. Vogel  
Commissioner

CAV:sl