



Office of Health Care Access Certificate of Need Application

Final Decision

Applicant: Sharon Hospital

Docket Number: 04-30379-CON

Project Title: Establish Lithotripsy Service Under Sharon Hospital's License

Statutory Reference: Section 19a-638 and 19a-639 Connecticut General Statutes

Filing Date: February 10, 2005

Decision Date: March 8, 2005

Default Date: May 11, 2005

Staff Assigned: Ronald A. Ciesones

Project Description: Sharon Hospital ("Hospital") proposes to establish a portable lithotripsy service. The proposal has a capital cost of \$485,000, which represents the fair market value of the lithotripsy equipment.

Nature of Proceedings: On February 10, 2005, the Office of Health Care Access ("OHCA") received Sharon Hospital's Certificate of Need ("CON") application seeking authorization to establish a portable lithotripsy service at 50 Hospital Hill Road, Sharon, Connecticut. The proposal has a capital cost of \$485,000, which represents 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.").

A notice to the public regarding the OHCA receipt of the Hospital's Letter of Intent to file its CON application was published in the *Waterbury Republican American* on December 14, 2004, pursuant to Section 19a-638 and 19a-639, C.G.S. 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 Section 19a-638 and 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 Hospital's Current Utilization Statistics

Proposal's Contribution to the Accessibility and Quality 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. Sharon Hospital ("Hospital") is a for profit hospital, owned by Essent Healthcare, Inc. located at 50 Hospital Hill Road, Sharon, Connecticut. (*February 3, 2005, CON Application, page 25*)
2. The Hospital's primary service area includes the towns of Sharon, Lakeville, Salisbury, Kent, South Kent, Cornwall, West Cornwall, Cornwall Bridge, Canaan, and Falls Village. (*February 3, 2005, CON Application, page 2*)
3. The Hospital's service area also includes several towns in New York and Massachusetts. However, Sections 19a-634 and 19a-637, C.G.S., specifically mandate that OHCA consider the availability, scope, and need for services for the residents of Connecticut. Therefore, OHCA does not consider out-of-state volume in its evaluation of need for the proposed service. (*February 3, 2005, CON Application, page 3*)
4. The Hospital proposes to establish a portable lithotripsy service. The Hospital does not currently offer lithotripsy services. Currently, patients who require Lithotripsy services must go to a facility in Torrington or Winsted. Sharon Hospital is 25 miles from Torrington and 32 miles from Winsted. (*February 3, 2005, CON Application, page 1*)
5. The Hospital based the need for the Lithotripsy Service on the following:
 - Quality of Care Improvements
 - Improved Patient Access to Services(*February 3, 2005, CON Application, pages 1&2*)

6. The Hospital proposes to enter into an agreement with Connecticut Lithotripsy, LLC for the provision of the lithotripsy service. Connecticut Lithotripsy, LLC currently provides portable lithotripsy service to other Connecticut hospitals. Connecticut Lithotripsy, LLC will provide the Hospital with a HealthTronics Lithotron Lithotripter that has a fair market value of \$485,000. *(February 10, 2005, Letter to OHCA, page 1)*
7. There are currently two physicians with privileges at the Hospital who will utilize the lithotripsy service. The two physicians estimate that approximately 36 procedures, (three (3) per month) will be performed annually. In addition, patients admitted through the Hospital's Emergency Department may be treated with the service. *(February 3, 2005, CON Application, page 2)*
8. The Hospital will be responsible for patient scheduling, processing, and transporting, as well as direction and control of Hospital personnel during such procedures. *(February 3, 2005, CON Application, pages 20 & 21)*
9. The Hospital is projecting 36 procedures in the second year of service and 36 in the third. These numbers are based on the physicians' current experience and on their patient base. *(February 3, 2005, CON Application, page 3)*
10. The Hospital's methodology for developing its need projection was the "Maine Rate." In 1993, the American Lithotripsy Society performed a study that demonstrated a national average of 72 procedures per 100,000 population per year in 1990. The Hospital's primary service area population, Connecticut towns only, has a population of approximately 50,000. Based on the Maine Rate, there should be approximately 36 persons in need of lithotripsy services $(50,000/100,000 * 72)$. *(February 10, 2005, Letter to OHCA, page 1)*
11. The procedure codes or the proposed service include:

Table 1: List of Procedures

Procedure Code	Procedure Description
50590	Fragmenting of Kidney Stone
43265	Endo cholangopancreatograph
52353	Cystouretero w/lithotripsy

(February 3, 2005, CON Application, page 5)

12. The Hospital proposes to follow the practice guidelines established by the American Lithotripsy Society. *(February 3, 2005, CON Application, page 6)*
13. There are no existing providers of lithotripsy in the Hospital's service area. *(February 3, 2005, CON Application, page 1)*

14. The Hospital has requested that the service be provided by Connecticut Lithotripsy, LLC approximately one day per month between the hours of 8:00 am and 4:00 pm. (*February 3, 2005, CON Application, page 2*)

**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**

15. The proposal has a capital cost of \$485,000, which represents the fair market value of the lithotripsy equipment. (*February 10, 2005, Letter to OHCA, page 1*)
16. The Hospital will pay for the services that it utilizes with Connecticut Lithotripsy, LLC under a fixed-fee arrangement on a case by case basis for each procedure and bill the patient for these services. (*February 3, 2005, CON Application, page 2 & 21*)
17. The Hospital is projecting the following incremental gain from operations related to the proposal:

Table 2: Projected Incremental Gain by Fiscal Year

Fiscal Year	Revenue
2005	\$48,060
2006	\$47,952
2007	\$47,840

(*February 3, 2005, CON Application, page 85*)

18. The current payer mix and the projected payer mix based on Net Patient Revenue are as follows:

Table 3: Current and Projected Payer Mix

Description	Current Payer Mix	Projected Payer Mix
Medicare	50%	50%
Medicaid	6%	6%
TriCare	0%	0%
Total Government	56%	56%
Commercial Payers	35%	35%
Self Pay	4.5%	4.5%
Workers Comp	2%	2%
Total Non Government	41.5%	41.5%
Uncompensated Care	2.5%	2.5%
Total Payer Mix	100%	100%

(*February 3, 2005, CON Application, pages 15 and 16*)

19. The Hospital's rates are sufficient to cover the proposed capital cost and operating costs. (*Certificate of Need Application, February 3, 2005, page 85*)

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

The following other principles and guidelines set forth in Section 19a-637 were also fully considered and the following findings made.

20. There is no State Health Plan in existence at this time. *(February 3, 2005, CON Application, page 1)*
21. The Hospital has provided evidence that this proposal is consistent with its long-range plan. *(February 3, 2005, CON Application, page 1)*
22. The Hospital has improved productivity and contained costs through group purchasing and the application of technology. *(February 3, 2005, CON Application, page 8)*
23. The proposal will not result in changes to the Hospital's current teaching and research responsibilities. *(February 3, 2005, CON Application, page 8)*
24. There are no distinguishing characteristics of the patient/physician mix of the Hospital. *(February 3, 2005, CON Application, page 8)*
24. The Hospital has sufficient financial, managerial, and technical competence to provide efficient and adequate service to the public. *(February 3, 2005, CON Application, pages 7 and pages 60 to 77)*

Rationale

The Office of Health Care Access (“OHCA”) approaches community and regional need for the proposed service on case by case basis. Certificate of Need (“CON”) applications do not lend themselves to general applicability due to a variety of complexity 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 proposed services.

Sharon Hospital (“Hospital”) proposes to establish a portable lithotripsy service on its campus at 50 Hospital Hill Road, Sharon, Connecticut. The proposal has a capital cost of \$485,000, which represents the fair market value of the lithotripsy equipment.

The Hospital will pay for the services that it utilizes with Connecticut Lithotripsy, LLC under a fixed-fee arrangement on a case by case basis for each procedure. The Hospital will be responsible for patient scheduling, processing and transporting, as well as, direction and control of Hospital personnel during such procedures. 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 and accessibility of care to patients in the region.

The Hospital’s primary service area consists of Sharon, Lakeville, Salisbury, Kent, South Kent, Cornwall, West Cornwall, Cornwall Bridge, Canaan, and Falls Village. The proposal will remedy a geographic barrier to access by providing lithotripsy services within the Hospital’s service area. Presently, there are no existing providers of lithotripsy services in the Hospital’s primary service area and patients who require lithotripsy services must go to a facility in Torrington or Winsted. Sharon Hospital is 25 miles from Torrington and 32 miles from Winsted and it is difficult for those patients requiring lithotripsy procedures to travel to these facilities for treatment. The establishment of the proposed lithotripsy program addresses this concern and will improve both the quality and accessibility of lithotripsy service in the hospital’s primary service area.

The Hospital’s volume projections are 36 patients for each of the first three years of operation which is based on the Maine Rate and a population of 50,000 people. The Maine Rate which was developed by the American Lithotripsy Society, demonstrated a national average of 72 procedures per 100,000 population. The Hospital projects incremental gains from operations related to this project of \$48,060, \$47,952, and \$47,840 for the same time period. The Hospital’s volume projections and the financial projections upon which they are based appear to be reasonable and achievable. OHCA concludes that the CON proposal is financially feasible and cost-effective.

Based on the foregoing Findings and Rationale, the Certification of Need application of Sharon Hospital to offer a portable lithotripsy service, is hereby **GRANTED**.

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Order

The request of Sharon Hospital to establish a portable lithotripsy service is approved subject to the following conditions:

1. The authorization shall expire March 8, 2006. Should Sharon Hospital not begin the portable lithotripsy service by that date, the Hospital must seek further approval from OHCA to complete the project beyond that date.
2. The proposal has a capital cost of \$485,000, which represents the fair market value of the lithotripsy equipment. In the event that Sharon 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

March 8, 2005

Signed by Cristine A. Vogel
Commissioner