



Office of Health Care Access Certificate of Need Application

Final Decision

Applicant: Saint Mary's Hospital

Docket Number: 04-30400-CON

Project Title: Emergency Department Renovation Project

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

Filing Date: January 27, 2005

Decision Date: April 7, 2005

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Staff Assigned: Jack A. Huber

Project Description: Saint Mary's Hospital proposes to renovate and modernize its Emergency Department, at a total proposed capital expenditure of \$2,500,000.

Nature of Proceedings: On January 27, 2005, the Office of Health Care Access ("OHCA") received a Certificate of Need ("CON") application from Saint Mary's Hospital ("Hospital") seeking authorization to renovate and modernize its Emergency Department ("ED"), at a total proposed capital expenditure of \$2,500,000. 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 concerning OHCA's receipt of the Hospital's Letter of Intent was published in *The Waterbury Republican* on December 5, 2004, pursuant to Section 19a-639, C.G.S. OHCA received no response from the public concerning the Hospital's proposal.

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 Hospital'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 Mary's Hospital ("Hospital") is an acute care, general hospital located at 56 Franklin Street, in Waterbury, Connecticut. *(January 27, 2005, CON application, page 1)*
2. The Hospital's Emergency Department ("ED" or "department") offers emergency health services 24 hours a day to patients of all ages. The department is responsible for immediate treatment of any medical or surgical emergency, for initiating life-saving procedures in all types of emergency situations and for providing emergency care for other conditions, including chronic medical problems, minor illnesses and minor injuries. *(January 27, 2005, CON application, page 2)*
3. The Hospital proposes to renovate and modernize its existing Emergency Department for the purpose of providing a more contemporary facility that will offer improved space functionality and design. *(January 27, 2005, CON application, pages 3 & 4)*
4. The estimated total capital expenditure of the renovation project is \$2,500,000. *(January 27, 2005, CON application, page 11)*
5. The Hospital's proposal is intended to serve residents from the following cities and towns: Waterbury, Wolcott, Cheshire, Thomaston, Prospect, Naugatuck, Southbury, Woodbury, Middlebury and Watertown. *(January 27, 2005, CON application, pages 3 & 4)*
6. The Hospital indicates that the current ED facility possesses a number of operating or design limitations which include: *(January 27, 2005, CON application, page 5)*
 - Consistent ED operation above its intended capacity contributing to significant wait times experienced by patients;
 - Overcrowded conditions within the department's waiting room, especially during peak demand times; and
 - Lack of privacy for ED patients and their family members.
7. The 13,000 square foot renovation project is specifically designed to address current ED operations and design limitations. *(January 27, 2005, CON application, page 5)*
8. The focus of the renovation proposal is on creating a plan that optimizes the existing ED space to its fullest capacity. Completion of the proposed renovation project will accomplish the four following objectives: *(January 27, 2005, CON application, pages 3 & 4)*
 - Improve the image of the department through upgrading its cosmetic appearance;
 - Improve patient privacy and compliance with the Health Insurance Portability and Accountability Act ("HIPAA") regulations through design changes within the department;
 - Increase department capacity and throughput; and
 - Improve patient flow and functionality within the department.

9. The reconfigured department will provide the same services that are currently being delivered in the ED facility with some additional capacity and improved patient throughput. *(January 27, 2005, CON application, page 2)*
10. The proposed ED renovation project consists of the following components:
(November 12, 2004, CON Letter of Intent, pages 8 & 9)
 - Selected renovation to and a reallocation of the space to specified functional areas within the department;
 - Reduction of an existing ED office and radiology space, thereby allowing for the relocation and creation of two new replacement trauma rooms;
 - Expansion of area devoted to the ED waiting space;
 - Renovation of existing space to create one new nurse's stations and the refurbishment of two existing nurse's stations that will allow for increased patient visibility and coverage by the ED nursing staff; and
 - Relocation of behavioral health patients to an enclosed space on the former Observation Unit, providing for increased patient privacy and improved monitoring and supervision by nursing staff.
11. The structure housing the current ED was built in 1982. In its current configuration the emergency department was designed to accommodate approximately 30,000 visits annually. *(January 27, 2005, CON application, Executive Summary, page i)*
12. ED service volumes have been approaching 60,000 visits annually over the last three fiscal years ("FY"). The actual number of annual ED visits is 59,341 for FY 2002, 57,598 for FY 2003 and 59,559 for 2004. *(January 27, 2005, CON application, Executive Summary, page 1 and March 28, 2005, Hospital responses, page 2)*
13. The Hospital estimates that annual ED volume will remain constant during the duration of the renovation project. *(January 27, 2005, CON application, page 5)*
14. The Hospital estimates that upon completion of the project the department service volumes will grow 1.0% annually, based on historical ED data projected in a linear fashion. *(January 27, 2005, CON application, pages 4 & 5)*
15. The annual number of ED visits is projected to be 60,300 in FY 2007, 60,900 in FY 2008 and 61,500 in FY 2009. *(January 27, 2005, CON application, pages 4 & 5)*
16. The Hospital delivers emergent and urgent care services under the care of the Emergency Department. The Hospital considers all patients who present to the ED as an emergent patient as specified under the Emergency Medical Treatment and Labor Act ("EMTALA") Guidelines. *(March 28, 2005, Hospital responses, pages 1 & 2)*
17. ED patients are triaged into the emergent area or the urgent area based on the signs and symptoms at the time of presentation. Regardless of how they have been triaged, however, all cases must be considered emergent and are treated accordingly. *(March 28, 2005, Hospital responses, page 2)*

18. An itemization between the existing and proposed ED treatment beds is as follows:
(March 28, 2005, Hospital responses, page 4)

Table 1: ED Treatment Beds

Bed Type	Existing	Proposed
Trauma Care	2	2
Emergency Treatment	19	23
Psychiatric Treatment/Hold & Observation	0	4
Urgent Care	6	6
Total # ED Treatment Beds	27	35

19. The proposed project schedule is as follows: (January 27, 2005, CON application, page 13)

Table 2: Project Schedule

Project Step:	Projected Date:
Commencement of Building Renovations	July 1, 2005
Completion of Building Renovations	September 30, 2006
DPH Licensure	October 1, 2006

20. The planned renovation has been designed in a manner which will allow for services to be provided in an uninterrupted fashion. (January 27, 2005, CON application, page 13)
21. The Hospital will take all appropriate infection control and life safety measures during construction. (January 27, 2005, CON application, page 13)

Financial Feasibility and Cost Effectiveness of the Proposal and its Impact on the Hospital's Rates and Financial Condition
Impact of the Proposal on the Interests of Consumers of Health Care Services and the Payers for Such Services

22. The project's estimated total capital expenditure is \$2,500,000 and is itemized as follows: (January 27, 2005, CON application, pages 11 & 12)

Table 3: Proposed Total Capital Expenditure

Description	Cost
Medical Equipment	\$375,000
Non-Medical Equipment	\$375,000
Renovations/Construction	\$1,383,000
Architectural/Engineering	\$200,000
Contingency	\$167,000
Total Capital Expenditure	\$2,500,000

23. The proposal's \$2,500,000 total capital expenditure will be financed through three funding sources as follows: \$567,077 in Hospital operating funds, \$900,000 in a donation from the Saint Mary's Hospital Foundation and \$1,032,923 in a matching Federal grant that has been awarded to the Hospital for the proposed project. (January 27, 2005, CON application, page 14)

24. The Hospital's cash equivalent balance as of the submission date of the CON proposal is sufficient to cover the capital expenditure associated with the project. *(January 27, 2005, CON application, page 10)*
25. The Hospital projected incremental revenue from operations, total operating expense and gains from operations associated with the CON proposal is as follows: *(January 27, 2005, CON application, Attachment 13Bi, page 244)*

Table 4: Hospital's Financial Projections for FYs 2007, 2008 and 2009

Description	FY 2007	FY 2008	FY 2009
Incremental Revenue from Operations	\$647,000	\$1,348,000	\$2,042,000
Incremental Total Operating Expense	452,000	822,000	1,226,000
Incremental Gain from Operations	\$195,000	\$526,000	\$816,000

26. The current and projected payer mix percentages for the first three years of operating the reconfigured ED service is found in the following Table. *(January 27, 2005, CON application, page 15)*

Table 5: Hospital's Three-Year Projected Payer Mix

Description	Current	Year 1	Year 2	Year 3
Medicare	20.2%	20.2%	20.2%	20.2%
Medicaid	36.7%	36.7%	36.7%	36.7%
CHAMPUS or Tri-Care	0%	0%	0%	0%
Total Government	56.9%	56.9%	56.9%	56.9%
Commercial Insurers	31.9%	31.9%	31.9%	31.9%
Uninsured	8.9%	8.9%	8.9%	8.9%
Workers Compensation	2.3%	2.3%	2.3%	2.3%
Total Non-Government	43.1%	43.1%	43.1%	43.1%
Total Payer Mix	100.0%	100.0%	100.0%	100.0%

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.:

27. There is no State Health Plan in existence at this time. *(January 27, 2005, CON application, page 2)*
28. The Hospital has adduced evidence that the proposal is consistent with the Hospital's Board-approved, five-year strategic plan. *(January 27, 2005, CON application, page i and page 2)*
29. The Hospital has improved productivity and contained costs by undertaking energy conservation measures regarding its facilities; participating in activities involving the application of new technology; and employing group purchasing practices in its procurement of supplies and equipment. *(January 27, 2005, CON application, page 8)*

30. The proposal will not result in any change to the Hospital's teaching and research responsibilities. *(January 27, 2005, CON application, page 9)*
31. The Hospital's current patient/physician mix is similar to that of other acute care, general hospitals in the region. The proposal will not result in any change to this mix. *(January 27, 2005, CON application, page 9)*
32. The Hospital has sufficient technical, financial and managerial competence and expertise to provide efficient and adequate service to the public. *(January 27, 2005, CON application, page 7 and Appendix 5D, pages 117 to 200)*
33. The Hospital's rates are sufficient to cover the proposed capital expenditure and operating costs associated with the proposal. *(January 27, 2005, CON application, page 15 and Appendix 13Bi, page 244)*

Rationale

The Office of Health Care Access ("OHCA") approaches community and regional need for Certificate of Need ("CON") proposals on a case by case basis. CON applications do not lend themselves to general applicability due to a variety 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 proposal.

Saint Mary's Hospital ("Hospital") is an acute care, general hospital located at 56 Franklin Street, in Waterbury, Connecticut. The Hospital is proposing to renovate and modernize its Emergency Department ("ED"), at a total proposed capital expenditure of \$2,500,000. The project has been specifically designed to accommodate the future growth in demand for emergency department services and to enhance the quality and accessibility of the delivery of its emergency department services.

Saint Mary's ED facility was built in 1982. The currently configured department was designed to accommodate approximately 30,000 visits annually. ED service volumes have been approaching 60,000 visits per year over the last three fiscal years. The current ED facility possesses a number of operational and design limitations which are deemed to be impediments in the Hospital meeting its future ED service needs. The project has been specifically designed to address the department's future needs by addressing the limitations and by reconfiguring the department layout and organization, which will lead to improvements in the flow of patients through the department. The focus of the renovation proposal is on creating a plan that optimizes the existing ED space to its fullest capacity. Completion of the proposed renovation project will accomplish the following objectives: improving the image of the department through upgrading its cosmetic appearance; improving patient privacy and compliance with the Health Insurance Portability and Accountability Act regulations through proposed design changes; increasing the department's operational capacity and throughput; and improving the functionality found within the department as well as the flow of patients through the ED facility.

The renovation project will be accomplished in incremental phases, commencing in July of 2005 and concluding in September of 2007. The affected square footage for the proposal is approximately 13,000 renovated square feet. The proposed ED renovation consists of the following components: selected renovation to and a reallocation of the space to specified functional areas within the department; reduction of an existing ED office and radiology space, thereby allowing for the relocation and creation of two new replacement trauma rooms; expansion of area devoted to the ED waiting space; renovation of existing space to create one new nurse's stations and the refurbishment of two existing nurse's stations that will allow for increased patient visibility and coverage by the ED nursing staff; and relocation of behavioral health patients to an enclosed space on the former Observation Unit, providing for increased patient privacy and improved monitoring and supervision by the nursing staff. As the project's components have been designed in a manner which will allow for services to be provided in an uninterrupted fashion, patients who present to the Emergency Department during the project will not be adversely affected by the renovation work.

The Hospital estimates that annual ED volume will remain constant for the duration of the renovation project. The Hospital projects that upon completion of the project the department service volumes will grow 1.0% annually, based on historical ED data. The annual number of ED visits is projected to be 60,300 in FY 2007, 60,900 in FY 2008 and 61,500 in FY 2009.

Based on the above, OHCA finds that the Hospital has demonstrated that its Emergency Department renovation project is needed for the Hospital to continue to provide emergency services at a high level of quality and that the proposal will contribute to the accessibility of health services to the region.

The total capital expenditure for the proposal is \$2,500,000. The Hospital will finance the project through \$567,077 in Hospital equity, \$900,000 in a donation from the Saint Mary's Hospital Foundation and \$1,032,923 in a matching Federal grant that has been awarded to the Hospital for the proposed project. The Hospital projects incremental gains from operations prior to and after the implementation of the project. Therefore, OHCA finds that the Hospital's proposal will not only improve the quality and accessibility of its emergency services, but that the Hospital's proposal is also financially feasible and cost-effective.

Based upon the foregoing Findings and Rationale, the Certificate of Need application of Saint Mary's Hospital to renovate and modernize its Emergency Department at a total proposed capital expenditure of \$2,500,000, is, hereby, GRANTED.

Order

Saint Mary's Hospital ("Hospital") is hereby authorized to renovate and modernize its Emergency Department ("ED") at a total capital expenditure of \$2,500,000, subject to the following conditions:

1. This authorization shall expire on October 1, 2007. Should the Hospital's 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 \$2,500,000. In the event that the Hospital learns of potential cost increases or expects that the final project costs will exceed those approved, the Hospital shall file with OHCA a request for approval of the revised CON project 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

April 7, 2005

Signed by Cristine A. Vogel
Commissioner

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