



Office of Health Care Access Certificate of Need Application

Final Decision

Applicant: Continental Connecticut Lithotripsy, LLC and Connecticut Lithotripsy, LLC

Docket Number: 05-30448-CON

Project Title: Change of Ownership and Acquisition of Major Medical Equipment

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

Filing Date: May 20, 2005

Decision Date: July 27, 2005

Default Date: August 18, 2005

Staff Assigned: Steven W. Lazarus

Project Description: Continental Connecticut Lithotripsy, LLC (“Continental Litho”) and Connecticut Lithotripsy, LLC (“CT Litho”) (together referred as Applicants”) propose to change ownership of the existing lithotripsy service established at the nine (9) hospitals from CT Litho to Continental Litho and for Continental Litho to acquire new lithotripsy equipment. The proposal has a total capital expenditure of \$573,762.

Nature of Proceedings: On May 20, 2005, the Office of Health Care Access (“OHCA”) received the Applicants’ Certificate of Need (“CON”) application seeking authorization to change ownership of the existing lithotripsy service established at the nine (9) hospitals from CT Litho to Continental Litho and for Continental Litho to acquire new lithotripsy equipment. The proposal has a total capital expenditure of \$573,762. The Applicants’ are health care facilities or institutions 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 Applicants Certificate of Need Application was published in various newspapers in the Applicants' proposed service area, pursuant to Section 19a-638 and 19a-639, C.G.S. OHCA received no comments from the public concerning the Applicants' 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 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

Impact of the Proposal on the Applicants' 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. Continental Connecticut Lithotripsy, LLC ("Continental Litho") is a privately owned company with Continental Medical Services, LLC as its sole member. Continental Medical Services, LLC is located at 2014 Litho Place in Fayetteville, NC. *(May 20, 2005, CON Application, page 27)*
2. Connecticut Lithotripsy, LLC ("CT Litho") is a limited liability company. Signal Medical Service, Inc., has a 60% ownership interest and individual physicians own the remaining 40% share. *(May 20, 2005, CON Application, page 7)*
3. CT Litho under Docket Numbers 98-534, 99-534 and 04-30379 received authorization from OHCA to provide lithotripsy at the following hospitals:

Table 1: CT Litho's current lithotripsy sites-Hospital Name and Town

-Bradley Memorial Hospital (Southington)	-St. Vincent's Medical Center (Waterbury)
-Midstate Medical Center (Meriden)	-Waterbury Hospital (Waterbury)
-New Britain General Hospital (New Britain)	-William W. Backus Hospital (Norwich)
-Rockville General Hospital (Vernon)	-Windham Community Memorial Hospital (Willimantic)
-Sharon Hospital (Sharon)	

(May 20, 2005, CON Application, page 7)

4. The Applicants stated that their service area includes the towns of Southington, Meriden, New Britain, Vernon (Rockville), Bridgeport, Waterbury, Sharon, Norwich and Willimantic. *(March 4, 2005, Letter of Intent)*

5. The Applicants propose to change ownership of the existing lithotripsy service established at the nine (9) hospitals (listed in Table 1) from CT Litho to Continental Litho and for Continental Litho to acquire new lithotripsy equipment. *(May 20, 2005, CON Application, page 7)*
6. Mobile lithotripsy services at the nine hospitals (Table 1) is currently provided by CT Litho, who intends to liquidate and sell its existing equipment outside the State of Connecticut. *(March 4, 2005, Letter of Intent)*
7. Maintenance of the CT Litho's equipment is a concern due to the bankruptcy of the manufacturer. CT Litho stated that the electrodes required for lithotripsy treatment have become very difficult to obtain and are likely to become unavailable. Existing supplies will be exhausted in the near future. *(May 20, 2005, CON Application, page 12)*
8. According to the Applicants, CT Litho can not raise the necessary capital to purchase a new lithotripter, and will have to cease providing lithotripsy service when it can no longer obtain the needed electrodes. *(May 20, 2005, CON Application, page 12)*
9. CT Litho is working with Continental Litho to transition the lithotripsy service at the nine hospitals before its electrode supplies are exhausted. *(March 4, 2005, Letter of Intent)*
10. Continental Litho proposes to purchase a new state-of-the-art lithotripter manufactured by a solvent and reliable company, and the truck necessary to transport it to the nine hospitals. *(March 4, 2005, Letter of Intent)*
11. The Applicants based the need for the proposal on the following:
 - Lack of lithotripter supplies (electrodes required for the lithotripter);
 - Anticipated insolvency of CT Litho;
 - Quality of care improvements; and
 - Improved patient access to services.*(March 4, 2005, Letter of Intent and May 20, 2005, CON Application, pages 7-14)*

12. CT Litho's historical utilization for all sites combined was as follows:

Table 2: CT Litho's Historical Lithotripsy Utilization by Number of Patients

Calendar Year	Number of Patients
2003	952
2004	770
2005 (1 st four months)	226

Table 3: CT Litho's Historical Lithotripsy Utilization by Number of Procedures

Calendar Year	Number of Procedures
2002	1,009
2003	1,072
2004	969
2005 (1 st four months)	313

(May 20, 2005, CON Application, page 8)

13. The Applicants attribute the recent decline in CT Litho treatment volume, specifically for the last four months of CY 2004, to two main factors:

- The electrode supply for the existing lithotripter has become unreliable and some physicians are concerned, thus some patients were not scheduled; and
- The uncertain status of CT Litho with regard to the future of lithotripsy.

(May 20, 2005, CON Application, pages 8-10)

14. According to the Applicants, the treatment volumes for March 2005 (94 treatments) and April 2005 (89 treatments) have increased over historical treatment volumes for March and April of 2002, 2003 and 2004. *(May 20, 2005, CON Application, pages 9-10)*

15. According to the Applicants, there are no scheduled backlogs at the present time. *(May 20, 2005, CON Application, page 10)*

16. According to the Applicants, while the prevalence of urinary calculus disease has been increasing since the late 1970s, the availability of newer methods of medical management (prevention) and better endoscopic equipment has served to stabilize the need for extracorporeal shock wave lithotripsy at approximately historic levels. Therefore, lithotripsy treatment volumes are projected to remain relatively stable for the foreseeable future. *(May 20, 2005, CON Application, pages 8-9)*

17. Continental Litho projects 949 patients per year for the first three years of its operations. *(May 20, 2005, CON Application, page 10)*

18. According to the Applicants, there will be little or no effect on the providers of lithotripsy. Existing providers will continue to provide the services as they have done while CT Litho provided its lithotripsy service. *(May 20, 2005, CON Application, page 12)*

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

19. The proposal includes \$475,000 for purchase of the lithotripsy equipment, \$66,285 for a truck and \$32,477 for sales tax, for at total capital expenditure of \$573,762. *(May 20, 2005, CON Application, page 32)*
20. The nine hospitals will pay for the services that they utilize with Continental Litho under a fixed-fee arrangement on a case by case basis for each procedure and bill the patient for these services. *(May 20, 2005, CON Application, page 31)*
21. Continental Litho is projecting the following gain from operations with the proposed project for the first three years of operations:

Table 4: Projected Gain with the Project by Fiscal Year

Year	Revenue
First Year of Operation	\$952,793
Second Year of Operation	\$882,134
Third Year of Operation	\$872,076

(May 20, 2005, CON Application, page 305)

22. Continental Litho's rates are sufficient to cover the proposed capital cost and operating costs. *(May 20, 2005, CON Application, page 305)*
23. There is no State Health Plan in existence at this time. *(May 20, 2005, CON Application, page 7)*
24. The Applicants have adduced that this proposal is consistent with their long-range plans. *(May 20, 2005, CON Application, page 7)*
25. The Applicants have improved productivity and contained costs through application of technology. *(May 20, 2005, CON Application, page 25)*
26. The proposal will not result in changes to the Applicants current teaching and research responsibilities. *(May 20, 2005, CON Application, page 26)*
27. There are no distinguishing characteristics of the patient/physician mix of the Applicants. *(May 26, 2005, CON Application, page 8)*
28. Continental Litho has sufficient financial, managerial, and technical competence to provide efficient and adequate service to the public. *(May 20, 2005, CON Application, page 300)*

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 service, the specific types of service proposed to be offered, the current utilization of the service and the financial feasibility of the proposed service.

Continental Connecticut Lithotripsy, LLC (“Continental Litho”) and Connecticut Lithotripsy, LLC (“CT Litho”) (together referred as Applicants”) propose to change ownership of the existing lithotripsy service established at the nine (9) hospitals from CT Litho to Continental Litho and for Continental Litho to acquire new lithotripsy equipment.

The Applicants based the need for the proposal on the fact that the electrodes required for each treatment for the existing lithotripter have become very difficult to obtain and are likely to become unavailable. Existing supplies will be exhausted in the near future and this is primarily due to the bankruptcy of the manufacturer. Further, CT Litho can not raise the necessary capital to purchase a new lithotripter, and will have to cease providing lithotripsy service when it can no longer obtain the needed electrodes. CT Litho is working with Continental Litho to transition the lithotripsy service at the nine hospitals before its electrode supplies are exhausted. Continental Litho proposes to purchase a new state-of-the-art lithotripter manufactured by a solvent and reliable company, and the truck necessary to transport it to the nine hospitals. OHCA finds that this proposal will improve the overall quality and accessibility of care to patients at the nine hospitals and their service area.

The Applicants’ volume projections are 949 patients per year for the first three years of operation. These are based on historical utilizations at the 9 hospitals. The proposal includes \$475,000 for purchase of the lithotripsy equipment, \$66,285 for a truck and \$32,477 for sales tax, for a total capital expenditure of \$573,762. Continental Litho projects incremental gains from operations related to this project of \$48,060, \$47,952, and \$47,840 for the same time period. The Applicants’ 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 Continental Lithotripsy, LLC and Connecticut Lithotripsy, LLC to change ownership of the existing lithotripsy service established at the nine (9) hospitals from CT Litho to Continental Litho and for Continental Litho to acquire new lithotripsy equipment, is hereby **GRANTED**.

Order

The request of Continental Connecticut Lithotripsy, LLC and Connecticut Lithotripsy, LLC (together referred as Applicants”) to change ownership of the existing lithotripsy service established at the nine (9) hospitals from CT Litho to Continental Litho and for Continental Litho to acquire new lithotripsy equipment is approved, subject to the following conditions:

1. The authorization shall expire on December 31, 2006. Should the Applicants not change ownership or begin the lithotripsy service by that date, the Applicants must seek further approval from OHCA to complete the project beyond that date.
2. The proposal has a capital expenditure of \$573,762. In the event that the Applicants learn of potential cost increases or expects that the final project costs will alter, the Applicants 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

July 27, 2005

Signed by Cristine A. Vogel
Commissioner