



Office Of Health Care Access Certificate of Need Application

Final Decision

Applicant: Norwalk Hospital

Docket Number: 05-30466-CON

Project Title: Renovate Lobby

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

Filing Date: July 18, 2005

Decision Date: August 8, 2005

Default Date: October 16, 2005

Staff Assigned: Tillman Foster

Project Description: Norwalk Hospital (“Hospital”) proposes to renovate the Hospital Lobby located at 34 Maple Street, Norwalk, Connecticut at a total capital expenditure of \$4,300,000. The Hospital’s proposal includes the renovation of the lobby entrance, gift shop, café, chapel, Perkins Auditorium Lobby, public restrooms within the lobby and the public hallway.

Nature of Proceedings: On July 18, 2005, the Office of Health Care Access received a Certificate of Need (“CON”) application from the Hospital for the renovation of its Lobby, at a total capital expenditure of \$4,300,000. 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 regarding OHCA’s receipt of the Hospital’s Letter of Intent (“LOI”) was published in *The Hour* on April 2, 2005, pursuant to Section 19a-639, C.G.S. OHCA received no comments from the public concerning the Hospital’s LOI or CON application.

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. Norwalk Hospital ("Hospital") is an acute care general hospital located at Maple Street in Norwalk, Connecticut. The Hospital's total licensed bed capacity of 366 beds and bassinets includes 328 licensed beds and 28 licensed bassinets. *(July 18, 2005 CON Application, Page 71)*
2. The Hospital is proposing to undertake renovations of the Hospital Lobby located at 34 Maple Street, Norwalk, Connecticut at a total capital expenditure of \$4,300,000. The Hospital's proposal includes the renovation of the lobby entrance, gift shop, café, chapel, Perkins Auditorium Lobby, public restrooms within the lobby and the public hallway. *(July 18, 2005 CON Application, Pages 2,3 and 18)*
3. The Hospital based need for the proposal on the following:
 - Lack of major renovation in the past thirty years;
 - Address a number of infrastructure issues including mechanical, electrical and plumbing that require attention; and
 - Update the public restrooms so that they comply with Americans with Disabilities Act (ADA) standards. *(July 18, 2005 CON Application, Page 2)*
4. The proposal will address mechanical, electrical and plumbing infrastructure issues primarily through the following:
 - Mechanical, by the removal and replacement of the current heating, ventilation and cooling (HVAC) systems to diminish occupant discomfort especially during wintertime and to improve operational efficiencies of the HVAC systems;
 - Electrical, by the removal and replacement of lighting fixtures, obsolete panel boards, relocation of the fire alarm control panel, relocation of the physician sign-in station and telephone, relocation of the elevator annunciator/control panel; and
 - Plumbing, by the installation of new water fixtures in the cafeteria and kitchen areas and in the public restrooms where the new fixtures will utilize touchless controls for infection control purposes. *(July 18, 2005, CON Application, Pages 19-22, 58-60)*
5. The Hospital's Lobby Renovation project consists of the following renovation work components: *(July 18, 2005 CON Application, Pages 19-22)*

Table 1: Renovation Components

Lobby component	Description	Sq. Footage
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Lobby component	Description	Sq. Footage
Lobby Entrance	<ul style="list-style-type: none"> • Create a new entry vestibule • Replace exterior brick façade with new glass wall system • Relocate information desk 	4,957
Gift Shop	<ul style="list-style-type: none"> • Relocate existing gift shop to a space adjacent to its existing location allowing for the consolidation of the retail space with the gift shop storage 	1,236
Café	<ul style="list-style-type: none"> • Create a new entrance from the Lobby to the Café • Reconfigure seating area of Café • Reconfigure kitchen area, including providing new food service equipment 	5,100
Chapel	<ul style="list-style-type: none"> • Size will increase to 385 Square Feet to accommodate approximately 25 individuals 	385
Perkins Auditorium	<ul style="list-style-type: none"> • Cosmetic upgrade 	828
Public Restrooms within the Lobby	<ul style="list-style-type: none"> • Restrooms will be relocated to a place between the Main Lobby and the Perkins Auditorium • New facilities will be ADA accessible 	558
Public Hallway	<ul style="list-style-type: none"> • Cosmetic improvements from the existing pharmacy down to the existing Doctor's Lounge 	

6. The proposed renovation will provide major cosmetic and functional upgrade of the 12,843 square foot of entryway space. None of this space involves any major construction as the project consists primarily of:

- (a) Removal of all flooring, ceiling, lighting, and built-in cabinets and/or work surfaces;
- (b) Prepping floors to receive new carpeting and/or tiling;
- (c) Installing new acoustical ceilings, lighting, flooring and built-in cabinets and work surfaces;
- (d) Painting walls;
- (e) Removal of existing Heating, Ventilation and Air Conditioning (“HVAC”) Systems;
- (f) Installing new HVAC systems to accommodate new heating/cooling loads;
- (g) Adding new artwork (Public Hallway); and
- (h) Installing built in baby changing counters (Public Restrooms within the Lobby).

(July 18, 2005 CON Application, Pages 19-22)

7. The Hospital stated that the proposal will offer the Hospital's patients, families, visitors, physicians and employees a much more welcoming environment, as the lobby is the primary entry point to Norwalk Hospital. *(July 18, 2005 CON Application, Page 3)*
8. The Hospital has designed the proposed project to be completed in three phases to minimize disruption to the departments and to patient care, which will allow access to all areas except for the coffee shop. The coffee shop will be closed for a period of time during the renovation, so that demolition and new renovations can be completed with food services available at the hospital cafeteria. *(July 18, 2005 CON Application, Page 23)*
9. There will be no change in inpatient volume as a result of the renovation project. *(July 18, 2005 CON Application, Page 99)*

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

10. The total capital expenditure for the CON proposal of \$4,300,000 is comprised solely of the renovation work in the Hospital Lobby. *(July 18, 2005 CON Application, Page 17)*
11. The total capital expenditure for the CON proposal of \$4,300,000 will be funded by \$3.3 million in operating funds from the Hospital and a donation of \$1,000,000 from Norwalk Hospital Foundation. *(July 18, 2005 CON Application, Page 24)*
12. The total renovation capital expenditures of \$4,300,000 include the following capital cost components: *(July 18, 2005 CON Application, Pages 17, 18 and 23)*

Table 2: Hospital's Total Renovation Capital Expenditures

Description	Renovation Cost
Building Work Costs	\$ 2,328,760
Architectural and Engineering Costs	457,900
Contingency Costs	310,300
Other Costs	426,310
Total Capital Expenditures	\$4,300,000

13. The Hospital estimates that the project will require approximately eighteen months to complete. The Hospital anticipates that the CON proposal's renovation work will commence in September 2005 and will be completed in March 2007. *(July 18, 2005 CON Application, Page 24)*
14. The Hospital projects incremental revenue from operations, total operating expense and losses from operations associated with the CON proposal as follows: *(July 18, 2005 CON Application, Page 99)*

Table 3: Hospital's Incremental Financial Projections for FY 2006, FY 2007 and FY 2008

Description	FY 2006	FY 2007	FY 2008
Incremental Revenue from Operations	\$ 0	\$ 0	\$ 0
Incremental Total Operating Expense	240,000	240,000	240,000
Incremental Loss from Operations	\$ (240,000)	\$ (240,000)	\$ (240,000)

15. The projected incremental losses from operations are due solely to new operating expenses for depreciation associated with the Hospital's renovation project that will not be offset by any additional service revenue. *(July 18, 2005 CON Application, Page 99)*
16. The Hospital projects total facility revenue from operations, total operating expense and gains from operations with the CON proposal as follows: *(July 18, 2005 CON Application, Page 99)*

Table 4: Hospital's Total Facility Financial Projections for FY 2006, FY 2007 and FY 2008

Description	FY 2006	FY 2007	FY 2008
Revenue from Operations	\$241,899,000	\$249,156,000	\$256,631,000
Total Operating Expense	241,739,000	248,984,807	256,446,000
Gain from Operations	\$ 160,000	\$ 172,000	\$ 185,000

17. There is no State Health Plan in existence at this time. *(July 18, 2005 CON Application, Page 2)*
18. The Hospital has adduced evidence that the proposal is consistent with the Hospital's long-range plan. *(July 18, 2005 CON Application, Page 2)*
19. The Hospital has improved productivity and contained costs by undertaking energy conservation and group purchasing activities. *(July 18, 2005 CON Application, Page 14)*
20. The proposal will not result in any change to the Hospital's teaching and research responsibilities. *(July 18, 2005 CON Application, Page 14)*
21. There are no distinguishing or unique characteristics of the Hospital's patient/physician mix related to the proposal. *(July 18, 2005 CON Application, Page 14)*
22. The Hospital has sufficient technical, financial and managerial competence and expertise to provide efficient and adequate service to the public. *(July 18, 2005 CON Application, Pages 12, 63-69)*
23. The Hospital's rates are sufficient to cover the proposed capital expenditure and operating costs associated with the proposal. *(July 18, 2005, CON Application, Page 99)*

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.

Norwalk Hospital (“Hospital”) proposes to renovate the Hospital Lobby at 34 Maple Street, Norwalk, Connecticut. The Hospital’s proposal includes the renovation of the lobby entrance; gift shop; café, chapel, Perkins Auditorium Lobby, public restrooms within the lobby and the public hallway.

The Hospital’s proposal is the first major reconstruction of the entry space within the past thirty years. The need for the CON proposal is based on addressing a number of infrastructure issues including mechanical, electrical and plumbing that require attention as well as bringing the public restrooms into ADA compliance. Mechanical issues will be addressed primarily by the removal and replacement of the current heating, ventilation and cooling (HVAC) systems to diminish occupant discomfort especially during wintertime and to improve operational efficiencies of the HVAC systems. Electrical issues will be addressed primarily by the removal and replacement of lighting fixtures, obsolete panel boards, relocation of the fire alarm control panel, relocation of the physician sign-in station and telephone, relocation of the elevator annunciator/control panel. Plumbing issues will be addressed primarily by the installation of new water fixtures in the cafeteria, kitchen areas and in the public restrooms where the new fixtures will utilize touchless controls for infection control purposes. The proposed project will offer the Hospital’s patients, families, visitors, physicians and employees a much more welcoming environment as the lobby is the primary entry point to Norwalk Hospital. There will be no change in inpatient volume as a result of the renovation project.

The Hospital has designed the project to be completed in three phases to minimize disruption to the departments and to patient care, which will allow access to all areas except for the coffee shop. The coffee shop will be closed for a period of time during the renovation, so that demolition and new renovations can be completed with food services available at the hospital cafeteria. Based on the foregoing reasons, OHCA finds that there is a clear public need for the CON proposal, and that the proposal will improve both the accessibility and quality of health care services provided at the Hospital.

The CON proposal’s total capital expenditure of \$4,300,000 will be funded by \$3.3 million in operating funds from the Hospital and a donation of \$1,000,000 from Norwalk Hospital Foundation. The Hospital projects minimal incremental losses from operations of \$(240,000) in FY 2006, \$(240,000) in FY 2007 and \$(240,000) in FY 2008 due to the CON proposal. The projected incremental losses from operations are small relative to the overall size and scope of the Hospital’s total facility financial projections and are due

solely to new operating expenses for depreciation associated with the Hospital's renovation project that will not be offset by any additional service revenue. The Hospital projects total facility gains from operations of \$160,000 in FY 2006, \$172,000 in FY 2007 and \$185,000 in FY 2008 with the CON proposal. The Hospital's financial projections upon which they are based appear to be reasonable and achievable. Therefore, OHCA finds that the proposal is both financially feasible and cost effective.

Based upon the foregoing Findings and Rationale, the Certificate of Need application of Norwalk Hospital to undertake renovations of the Hospital Lobby at 34 Maple Street, Norwalk, Connecticut at a total capital expenditure of \$4,300,000, is hereby GRANTED.

Order

Norwalk Hospital ("Hospital") is hereby authorized to undertake renovations of the Hospital Lobby at 34 Maple Street, Norwalk, Connecticut at a total capital expenditure of \$4,300,000, subject to the following conditions:

1. This authorization shall expire on March 31, 2008. Should the Hospital's Lobby Renovation 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 total capital expenditure of \$4,300,000. 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.

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

August 8, 2005

Signed by Cristine A. Vogel
Commissioner

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