



Office of Health Care Access Certificate of Need Application

Final Decision

Applicant: Danbury Hospital

Docket Number: 05-30505-CON

Project Title: Establishment of Southbury Cardiovascular Diagnostics

Statutory References: Section 19a-638, Connecticut General Statutes

Filing Date: October 19, 2005

Decision Date: January 13, 2006

Default Date: January 17, 2006,

Staff: Steven W. Lazarus

Project Description: Danbury Hospital (“Hospital”) proposes the establishment of Southbury Cardiovascular Diagnostics at 22 Waterbury Road, Southbury, Connecticut, at a total capital expenditure of \$531,446.

Nature of Proceedings: On October 19, 2005, the Office of Health Care Access (“OHCA”) received the Certificate of Need (“CON”) application from Danbury Hospital (“Hospital”) seeking authorization to establish Southbury Cardiovascular Diagnostics at 22 Waterbury Road, Southbury, Connecticut, at a total capital expenditure of \$531,446. Danbury 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 Certificate of Need (“CON”) was published in *The News Times*, pursuant to Section 19a-638, C.G.S. OHCA received no comments from the public concerning the Hospital’s proposal.

Pursuant to Public Act 05-75, three individuals or an individual representing an entity with five or more people had until November 14, 2005, the twenty-first calendar day following the filing of the Hospital’s CON Application, to request that OHCA hold a public hearing on the Hospital’s proposal. OHCA received no hearing requests from the public by November 14, 2005.

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

Contribution of the Proposal to the Quality and Accessibility of Health Care Delivery in the Region

Impact on the Hospital's Current Utilization Statistics

Impact of the Proposal on the Interests of Consumers and Payers of Health Care Services

1. Danbury Hospital ("Hospital") is an acute care hospital located at 24 Hospital Avenue in Danbury, Connecticut. *(May 12, 2005, Certificate of Need Determination/Letter of Intent Form, page 1)*
2. The Hospital currently operates a satellite outpatient center ("Center") at 22 Waterbury Road, Southbury, Connecticut, which currently offers the following services: Rehabilitation (Physical and Occupational Therapy), Geriatrics and Blood drawing. *(May 12, 2005, Certificate of Need Determination/Letter of Intent Form, page 5)*
3. The Hospital is proposing to establish outpatient cardiovascular diagnostic services at the existing unused leased space at 22 Waterbury Road, Southbury, Connecticut to be known as Southbury Cardiovascular Diagnostics. *(May 12, 2005, Certificate of Need Determination/Letter of Intent Form, page 5)*
4. The Hospital is proposing to offer outpatient cardiovascular diagnostic services that are currently offered at the Hospital, which include nuclear cardiology tests; vascular exams; stress testing; 20-hour, 48-hour and 30-day heart monitoring and echocardiography examination. *(October 19, 2005, Certificate of Need Application, page 2)*
5. The Hospital based the need for the proposed services in Southbury on the following:
 - a. Historical utilization;
 - b. Improving access to Hospital patients; and
 - c. New full-service cardiac program.*(October 19, 2005, Certificate of Need Application, page 2&3)*
6. The Hospital's primary service area ("PSA") for the proposed services includes the towns of Southbury and Newtown. These towns collectively constitute the Southbury area for this CON proposal. *(October 19, 2005, Certificate of Need Application, page 3)*
7. On July 23, 2004, Danbury Hospital was authorized to provide primary and elective angioplasty services and open heart surgery services at the Hospital's main campus. *(July 24, 2004, Agreed Settlement DN 03-30143)*

8. The Hospital's total outpatient diagnostic cardiology visits at the Hospital for FYs 2002-2005 were 10,266, 12,266, 13,545 and 14,508, respectively.
9. According to Census 2000, the percentage of elder population (ages 65 and over) for the towns of Southbury and Newtown, combined is higher than the total State of Connecticut, 18.5% versus 14.3%. (*Census 2000*)
10. The Hospital stated that the Hospital's historical outpatient diagnostic cardiology visits from the Southbury area for FYs 2002 through 2005 were as follows:

Table 2: Hospital's Historical Outpatient Diagnostic Cardiology Visits from the Southbury Area (FYs 2002-2005)

Type of Test	FY 2002	FY 2003	FY 2004	FY 2005
Echo (All Heart Monitoring)	650	738	758	776
Nuclear Cardiology	327	385	474	568
Vascular	296	427	533	568
Total Annual Visits	1,273	1,550	1,765	1,912

Note: FY 2005 based on 6 month actual.

The Hospital experienced a growth of 50% since 2002.

The data presented by the Hospital can not be verified by OHCA.

(*October 19, 2005, Certificate of Need Application, pages 3 & 15[Appendix A] and October 19, 2005, Completeness Letter Responses*)

11. The Hospital projects outpatient diagnostic cardiology visits from the Southbury area for FYs 2006 through 2008 based on historical utilization, follows:

Table 3: Projected Outpatient Diagnostic Cardiology Visits from the Southbury Area (FYs 2006-2008)

Type of Test	FY 2006	FY 2007	FY 2008
Echo (All Heart Monitoring)	807	982	1,097
Nuclear Cardiology	591	718	802
Vascular	593	718	802
Total Annual visits	1,991	2,418	2,701
Percentage Increase	4.1%	21.4%	11.7%

Note: The data presented by the Hospital can not be verified by OHCA.

The Hospital based the projected utilization on historical utilization, Hospital physician referrals, development of new women's heart education program and the beginning of the new elective angioplasty and open-heart surgery program at the Hospital.

(*October 19, 2005, Certificate of Need Application, pages 5 & 16[Appendix B], October 19, 2005, Completeness Responses, Exhibit 3*)

12. The Hospital stated that it provides cardiovascular testing at only one location, on its main campus. This proposal will enable the Hospital to provide more convenient and timely access to the patients in the Southbury area. (*October 19, 2005, Certificate of Need Application, page 3*)
13. There are five existing providers of diagnostic cardiology services in the Southbury area; including Southbury Cardiothoracic and Vascular Group, Diagnostic Imaging of Southbury, Heart Specialists of Southern Connecticut, Heart Specialists of Southern Connecticut and

Quality Cardiovascular Care; however, the Hospital expects minimal impact on the existing providers, as these are existing Hospital patients. *(October 19, 2005, Certificate of Need Application, page 6)*

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

14. The proposal's total capital expenditure is \$531,446, which is as follows:

Table 4: Total Projected Capital Expenditure

Medical Equipment	\$77,398
Imaging Equipment	424,048
Construction/Renovation	30,000
Total Capital Expenditure	\$531,446

Note: The medical equipment includes a Nuclear Camera, an Echo/Vascular Ultrasound Machine, a Treadmill/Recorder and Echo Workstation and Software. *(October 19, 2005, Certificate of Need Application, page 10)*

15. The total capital expenditure will be financed entirely through an equity contribution from the Hospital's equity, specifically through Operating Funds. *(October 19, 2005, Certificate of Need Application, page 11)*
16. The Hospital projects incremental gains from operations with the CON proposal for FY 2006 through FY 2008 of \$994,892, \$1,609,717 and \$2,075,942, respectively. *(October 19, 2005, Certificate of Need Application, page 14 and Completeness Letter Responses, Exhibit 2)*
17. The projected payer mix for the Center for the first three operating years is as follows:

Table 5: Projected Payer Mix

Payer	Year 1	Year 2	Year 3
Medicare	45.1%	45.1%	45.1%
Medicaid	1.26%	1.26%	1.26%
TriCare (CHAMPUS)			
Total Government	46.36%	46.36%	46.36%
Commercial Insurers	53.4%	53.4%	53.4%
Uninsured	0.26%	0.26%	0.26%
Workers Compensation			
Total Non-Government	53.66%	53.66%	53.66%
Total Payer Mix	100%	100%	100%

(January 12, 2005, Additional information received from the Hospital)

18. There is no State Health Plan in existence at this time. *(October 19, 2005, Certificate of Need Application, page 2)*
19. The Hospital has adduced evidence that this proposal is consistent with the Hospital's long range plan. *(October 19, 2005, Certificate of Need Application, page 2)*

20. The Hospital has improved productivity and contained costs by undertaking energy conservation measures and employing group purchasing practices. *(October 19, 2005, Certificate of Need Application, page 8)*
21. The proposal will not result in any change to the Hospital's teaching and research responsibilities. *(October 19, 2005, Certificate of Need Application, page 9)*
22. There are no distinguishing characteristics of the Hospital's patient/physician mix that makes the proposal unique. The proposal will not result in any change to this mix. *(October 19, 2005, Certificate of Need Application, page 9)*
23. The Hospital has sufficient technical, financial and managerial competence and expertise to provide efficient and adequate service to the public. *(October 19, 2005, Certificate of Need Application, page 7 and Exhibit C)*
24. The Hospital's proposed rates are sufficient to cover the anticipated capital expenditure and operating costs associated with the proposal. *(October 19, 2005, Certificate of Need Application, page 14 and Completeness Letter Responses, Exhibit 2)*

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.

Danbury Hospital (“Hospital”), an acute care general hospital located at 24 Hospital Avenue in Danbury. The Hospital operates a full-service cardiac program. The Hospital currently offers outpatient services, including rehabilitation, geriatrics, and blood drawing, in leased space at 22 Waterbury Road, Southbury, Connecticut. The Hospital is proposing to offer outpatient diagnostic cardiovascular services in its unused leased space at 22 Waterbury Road, Southbury, Connecticut, which will be known as Southbury Cardiovascular Diagnostics (“SCD”).

The Hospital is proposing to offer outpatient diagnostic cardiovascular services at SCD that are currently offered at the Hospital for its existing Hospital patients that reside in the Southbury area. These outpatient diagnostic cardiovascular services include cardiology tests, vascular exams, stress testing, 24-hour, 48-hour and 30-day heart monitoring and echocardiography exams. The Hospital based the need for this proposal on the Hospital’s historical utilization of outpatient diagnostic cardiology services from residents of the Southbury area and improved access to these services for these Hospital patients from the Southbury area. Further, the Hospital states that its full-service cardiology program will increase utilization of these proposed outpatient diagnostic cardiology services, as most of the outpatient diagnostic cardiovascular test for the residents of the Southbury area would be provided at Center. Further, according to Census 2000, the percentage of the population aged 65 and older for the towns of Southbury and Newtown is 18.5%, which is higher when compared to the rest of the State of Connecticut, which is 14.5%. For FYs 2002 through first two quarters of 2005, the Hospital reported 1,273, 1,550, 1,765, and 1,912 outpatient diagnostic cardiology visits respectively from the Southbury area, which includes a 50% growth between FYs 2002 and 2005. Based on the foregoing reasons, OHCA finds that there is a clear public need for the CON proposal, and that the CON proposal will improve the quality and accessibility to these services for its existing patient population that reside in the Southbury area.

The total capital expenditure for the CON proposal is \$531,446, which includes medical equipment, imaging equipment and construction/renovation. The Hospital projects an incremental gain from operations of \$994,892, \$1,609,717 and \$2,075,942 for FYs 2006, 2007 and 2008, respectively. Although OHCA can not draw any conclusions, the Hospital’s volume and financial projections upon which they are based appear to be reasonable and achievable. Therefore, OHCA finds that the CON proposal is both financially feasible and cost effective.

Based on the foregoing Findings of Fact and Rationale, the Certificate of Need request of Danbury Hospital for the establishment of Southbury Cardiovascular Diagnostics at 22 Waterbury Road, Southbury, Connecticut, at a total capital expenditure of \$531,446, is hereby GRANTED.

Order

Danbury Hospital, (“Hospital”) is hereby authorized to establish Southbury Cardiovascular Diagnostics at 22 Waterbury Road, Southbury, Connecticut, at a total capital expenditure of \$531,446, subject to the following conditions:

1. This authorization shall expire on December 31, 2007, unless the Hospital presents evidence to OHCA that proposed Southbury Cardiovascular Diagnostics has commenced operation by that date.
2. The Hospital shall not exceed the approved total capital expenditure of \$531,446. 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.
3. The Hospital is acquiring the following medical equipment as part of this proposal:
 - Nuclear Camera;
 - An Echo/Vascular Ultrasound Machine;
 - A Treadmill/Recorder; and
 - Echo Workstation & Software.
4. In the future, if the Hospital proposes to add any additional services to the Center, CON approval will be required from OHCA

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

January 13, 2006

Signed by Cristine A. Vogel
Commissioner