



## Office of Health Care Access Certificate of Need Application

### Final Decision

**Hospital:** Hartford Hospital

**Docket Number:** 05-30550-CON

**Project Title:** Replacement Linear Accelerator and Simulator in Radiation Oncology

**Statutory Reference:** Section 19a-639, Connecticut General Statutes

**Filing Date:** September 27, 2005

**Decision Date:** November 8, 2005

**Default Date:** December 26, 2005

**Staff:** Annie Jacob

**Project Description:** Hartford Hospital (“Hospital”) proposes to replace its existing linear accelerator and simulator in the Radiation Oncology Department. The project’s total proposed capital expenditure is \$5,100,000.

**Nature of Proceedings:** On September 27, 2005, the Office of Health Care Access (“OHCA”) received the Certificate of Need (“CON”) application of Hartford Hospital seeking authorization to replace its existing linear accelerator and simulator in the Radiation Oncology Department. The total proposed capital expenditure is \$5,100,000. The Hospital is a health care facility or institution as defined by Section 19a-630 of the Connecticut General Statutes (“C.G.S.”).

Pursuant to Section 19a-639, C.G.S., a notice to the public concerning OHCA’s receipt of the Hospital’s Letter of Intent was published in the *Hartford Courant*, Hartford on July 18, 2005. OHCA received no responses 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 October 18, 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 October 18, 2005.

OHCA's authority to review and approve, modify or deny this proposal 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 on the Hospital's Current Utilization Statistics Contribution of the Proposal to the Accessibility and Quality of Health Care Delivery in the Region**

1. Hartford Hospital ("Hospital") is an acute care hospital located at 80 Seymour Street in Hartford, Connecticut. *(July 7, 2005, Letter of Intent)*
2. The Hospital's primary service area includes the following municipalities: Avon, Bloomfield, Bolton, East Hartford, Farmington, Glastonbury, Hartford, Manchester, New Britain, Newington, Rocky Hill, Simsbury, South Windsor, West Hartford, Wethersfield and Windsor. *(July 7, 2005, Letter of Intent and September 14, 2005, CON Application page 3)*
3. The Hospital's secondary service area includes the following municipalities: Andover, Barkhamsted, Berlin, Bozrah, Bristol, Burlington, Canton, Colchester, Columbia, Coventry, Cromwell, East Granby, East Haddam, East Hampton, East Windsor, Ellington, Enfield, Franklin, Granby, Haddam, Hartland, Harwinton, Hebron, Lebanon, Mansfield, Marlborough, Meriden, Middlefield, Middletown, New Hartford, Norwich, Plainville, Portland, Preston, Salem, Somers, Southington, Stafford, Suffield, Tolland, Torrington, Union, Vernon, Wallingford, Winchester, Windham and Windsor Locks. *(July 7, 2005, Letter of Intent and September 14, 2005, CON Application page 3)*
4. Hartford Hospital proposes to replace its existing linear accelerator and simulator in the Radiation Oncology Department with a Trilogy Stereotactic System with Intensity Modulated Radiation Treatment ("IMRT") capability through Varian Medical System. *(September 27, 2005, Updated Quote page 2)*
5. The Hospital's existing linear accelerator and simulator in the Radiation Oncology Department is sixteen years old and considered to be at the end of its useful life. Per phone conversation dated November 2, 2005, the Hospital stated that the existing linear accelerator was installed based on the CON approval with the Commission on Hospital under the Docket Number 86-504 CON application for the facilities

development plan and expansion of services. *(July 7, 2005, Letter of Intent and September 14, 2005, CON Application, page 2, Phone conversation dated November 2, 2005)*

6. The Hospital's existing Radiation Oncology Simulator is a Varian Ximatron, which was installed in 1989, and the cost was below the \$400,000 Certificate of Need threshold, therefore, no Certificate of Need was required, but a determination was rendered under the Docket Number 86-504, 83-010, 85-005 COMPLIANCE. *(July 7, 2005, Letter of Intent, page 5, Phone conversation dated November 2, 2005)*
7. The Hospital based the need for this equipment replacement project on the following :
  - Age of the equipment,
  - Down time of the equipment,
  - Difficulty in maintaining and limitations on replacement parts, and
  - Outdated technology.
8. The Hospital stated that the existing linear accelerator has age-related problems such as lack of serviceability, lack of precision, technological limitations, and replacement repair parts are limited. Specifically, the current devices lack digital connectivity, which leaves them unable to take advantage of the Hospital's digital imaging networks, including the Varis Vision system in Radiation Oncology. *(September 14, 2005, CON Application, pages 2-3)*
9. The Hospital stated that it recently experienced unexpected "down time" of two weeks when unavailability of parts necessitated a modification to the accelerator, rather than a relatively simple repair. *(September 14, 2005, CON Application, pages 2-3)*
10. The Hospital stated that IMRT technology is already available on the newer accelerators at the Hospital, and is used in treating approximately 15% of the Hospital's Radiation Oncology patients. These features will improve the accuracy and precision of treating cancerous tissue, allowing escalation of dose to enhance tumor control and lowering dose to normal tissues to reduce toxicity. *(September 14, 2005, CON Application, page 3)*
11. Hartford Hospital Radiation Oncology visits were as follows: 15,620, 18,292, 20,599, and 21,628 for Fiscal Years ("FY") 2002, 2003, 2004, and 2005 (annualized), respectively. *(September 14, 2005, CON Application, Appendix B)*
12. The Hospital projects 22,003, 22,502 and 22,750 radiation oncology visits for FYs 2006, 2007 and 2008 respectively. The Hospital stated that the methodology used for this growth projection in patient visits assumed a growth in 2006 of 3 % based on continuation of the CT historical trend of increased cancer numbers due to aging and incidence, plus the increased demand for the new technologies offered by the proposed equipment. In 2007 and 2008, the Hospital projected a more conservative 1% per year based on increased impact from their community based satellite facilities as they gain access to IMRT. Since the Hospital is assuming a start date of treatment on the new machine in April 2006, they are anticipating the expected

visits to half of the annual growth for that year and rolled the balance forwarded into each of the following growth. Therefore, the first three years of the project indicates a volume increase of 1.73%, 2.27%, and 1.10% respectively. *(September 14, 2005, CON Application, page 5, Appendix K, Financial Attachment F)*

13. The Hospital plans to remove the existing equipment from the Hospital's campus before the new equipment arrives. The linear accelerator will be de-installed and sold. In the case of the Ximatron C simulator, the equipment is considered to be fully depreciated for no value and it will be scrapped and discarded at the Hospital's cost. *(September 27, 2005, Electronic Mail)*
14. The Hospital is anticipating the American College of Radiology (ACR) on-site review in January 2006, and the proposed project is expected to be completed by and begin operation in April of 2006. *(September 14, 2005, CON Application, page 5 and 7)*

**Financial Feasibility 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 Payers for Such Services  
Consideration of Other Section 19a-637, C.G.S. Principles and Guidelines**

15. The total capital expenditure of \$5,100,000 for the proposal consists of the following components:

**Table 1: Total Proposed Capital Expenditure**

| Component   | Cost               |
|---|--------------------|
| Medical Equipment (Purchase)  | \$4,682,464        |
| Construction/Renovation   | \$393,089          |
| Other (Non-Construction) Specify: Art &<br>Non Construction Contingency | \$24,447           |
| <b>Total Capital Expenditure</b>  | <b>\$5,100,000</b> |

*(September 14, 2005, CON Application, page 10)*

16. The proposed project will be financed entirely through funded depreciation. *(September 14, 2005, CON Application, page 11)*
17. The Hospital projects losses incremental to the project of (\$219,982), (\$353,000), and (\$366,645) for FYs 2006, 2007 and 2008, respectively. The projected incremental losses are due to depreciation. *(September 14, 2005, CON Application, Appendix K, Financial Attachment F, pages 112)*
18. The Hospital projects total Hospital gains from operation with the project of \$2,970,998, \$3,728,329, and \$4,442,852 for FYs 2006, 2007 and 2008, respectively. *(September 14, 2005, CON Application, Appendix K, Financial Attachment F, pages 112)*

19. The Hospital's existing payer mix is not expected to change as a result of this project. The projected payer mix for the first three years of operation is as follows:

**Table 2: Three-Year Projected Payer Mix with the CON Proposal**

| <b>Payer Mix</b>                             | <b>Current Payer Mix</b> | <b>Year 1</b> | <b>Year 2</b> | <b>Year 3</b> |
|--|--------------------------|---------------|---------------|---------------|
| Medicare (Includes Managed Care Activity)    | 45.6%                    | 45.6%         | 45.6%         | 45.6%         |
| Medicaid (Included Other Medical Assistance) | 9.8%                     | 9.8%          | 9.8%          | 9.8%          |
| TriCare (CHAMPUS)                            | 0.1%                     | 0.1%          | 0.1%          | 0.1%          |
| <b>Total Government</b>                      | <b>55.5%</b>             | <b>55.5%</b>  | <b>55.5%</b>  | <b>55.5%</b>  |
| Commercial Insurers                          | 36.2%                    | 36.2%         | 36.2%         | 36.2%         |
| Uninsured                                    | 8.3%                     | 8.3%          | 8.3%          | 8.3%          |
| Workers Compensation                         | 0.0%                     | 0.0%          | 0.0%          | 0.0%          |
| <b>Total Non-Government</b>                  | <b>44.5%</b>             | <b>44.5%</b>  | <b>44.5%</b>  | <b>44.5%</b>  |
| <b>Total Payer Mix</b>                       | <b>100.0%</b>            | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> |

*(September 14, 2005, CON Application, page 12)*

20. There is no State Health Plan in existence at this time. *(September 14, 2005, CON Application, page 2)*
21. The Hospital has adduced evidence that this proposal is consistent with its long-range plan. *(September 14, 2005, CON Application, page 2)*
22. The Hospital participates in energy conservation, group purchasing, and the application of technology programs to improve productivity and contain costs. *(September 14, 2005, CON Application, page 8)*
23. This proposal will not result in changes to the Hospital's teaching and research responsibilities. *(September 14, 2005, CON Application, page 8)*
24. The Hospital's rates are sufficient to cover the proposed capital expenditure and operating costs. *(September 14, 2005, CON Application, Appendix K, Financial Attachment F, page 112)*
25. There are no distinguishing characteristics of the Hospital's patient/physician mix. *(September 14, 2005, CON Application, page 8)*
26. The Hospital has sufficient technical and managerial competence to provide efficient and adequate services to the public. *(September 14, 2005, CON Application, Appendix K, Financial Attachment F, page 112)*

## 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.

Hartford Hospital (“Hospital”) proposes to replace its existing Linear Accelerator and Simulator in Radiation Oncology with a new unit equipped with Intensity Modulated Radiation Therapy (“IMRT”) capability. The proposal does not involve the expansion or introduction of new services, but rather the replacement of existing equipment used in the treatment of patients with cancer.

The Hospital’s existing linear accelerator is sixteen years old. Due to the equipment’s age and limited replacement repair parts, the Hospital has experienced unexpected “down time” of up to two weeks when unavailability of parts necessitated a modification to the accelerator, rather than a relatively simple repair. Hartford Hospital proposes to replace its existing linear accelerator and simulator in the Radiation Oncology Department with a Trilogy Stereotactic System with Intensity Modulated Radiation Treatment (“IMRT”) capability, through Varian Medical System. The Hospital projects 21,628, 22,003, 22,502 and 22,750 radiation oncology visits for FY 2005, 2006, 2007 and 2008 respectively. As the proposal involves the replacement of equipment, Hartford Hospital anticipates a more conservative volume increase of 2% during the first two years and 1% for the third year of the project based on increased impact from their community based satellite facilities as they gain access to IMRT. The IMRT technology allows for the administration of more direct radiation to the tumor site, limiting the exposure of radiation to normal tissue. OHCA finds that this initiative will improve the overall quality of care to cancer patients in this region.

The proposal is financially feasible. The total capital expenditure associated with the project is \$5,100,000. The proposed project will be financed through funded depreciation. Although the Hospital projects losses incremental to the project of (\$219,982), (\$353,000), and (\$366,645) for FYs 2006, 2007, and 2008, respectively, these losses are due to equipment depreciation expenses. The Hospital projects total Hospital gains from operation with the project of \$2,970,998, \$3,728,329, and \$4,442,852 for FYs 2006, 2007 and 2008, respectively. The Hospital’s volume and financial projections upon which they are based appear to be reasonable and achievable. Therefore, the proposal will not adversely impact consumers of health care services and payers for such services.

Based on the foregoing Findings and Rationale, the Certificate of Need application of Hartford Hospital to replace its existing Linear Accelerator and Simulator in Radiation Oncology with a new unit with Intensity Modulated Radiation Therapy capability, at a total capital expenditure of \$5,100,000, is hereby GRANTED.

## ORDER

Hartford Hospital is hereby authorized to replace its existing linear accelerator with a new unit with Intensity Modulated Radiation Therapy capability at a total capital expenditure of \$5,100,000, subject to the following conditions:

1. This authorization shall expire December 31, 2007. Should the Hospital's project not be completed by that date, Hospital must seek further approval from OHCA to complete the project beyond that date.
2. Hartford Hospital shall not exceed the approved capital expenditure of \$5,100,000. 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 budget.
3. This authorization requires the removal of the Hospital's sixteen years old linear accelerator and simulator in the radiation oncology department for certain disposition, such as sale or salvage, outside of and unrelated to the Hospital's service provider locations. Furthermore, the Hospital will provide evidence to OHCA of the final disposition of the existing equipment, by no later than three months after the replacement of linear accelerator and simulator has become operational.

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

November 8, 2005

Signed by Cristine Vogel  
Commissioner

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