



## Office of Health Care Access Certificate of Need

### Final Decision

**Applicants:** Hartford Hospital and Duncaster, Inc.

**Docket Number:** 05-30592-CON

**Project Title:** Transfer of Control of Geriatric Primary Care Services at Duncaster, Inc.

**Statutory Reference:** Section 19a-638, Connecticut General Statutes

**Presiding Officer:** Commissioner Cristine A. Vogel

**Filing Date:** January 12, 2006

**Decision Date:** March 21, 2006

**Default Date:** April 12, 2006

**Staff:** Steven W. Lazarus

**Project Description:** Hartford Hospital (“Hospital”) and Duncaster, Inc. (“Duncaster”) (“collectively referred to as “Applicants”) request to transfer of control of the geriatric primary care services at Duncaster, Inc. at an associated total capital expenditure of \$18,414.

**Nature of Proceeding:** On January 12, 2006 the Office of Health Care Access (“OHCA”) received the Certificate of Need (“CON”) application of Hartford Hospital (“Hospital”) and Duncaster, Inc. (“Duncaster”) (“collectively referred to as “Applicants”) to transfer control of the geriatric primary care services at Duncaster, at an associated total capital expenditure of \$18,414. 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 concerning OHCA's receipt of the Applicants' Letter of Intent was published on October 8, 2005, in *The Hartford Courant*. OHCA received no responses from the public concerning the Applicants' proposal. Pursuant to Public Act 05-75, three individuals or an individual representing an entity with five or more people had until February 2, 2006, the twenty-first calendar day following the filing of the Applicants' CON application, to request that OHCA hold a public hearing on the Applicants' proposal. OHCA received no hearing requests from the public by February 2, 2006.

OHCA's authority to review and approve, modify or deny this proposal 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 considered by OHCA in its review.

## Findings of Fact

### Clear Public Need Impact on the Applicants' Current Utilization Statistics Proposal's Contribution to the Quality and Accessibility of Health Care Delivery in the Region

1. Hartford Hospital ("Hospital") is an acute care hospital located at 80 Seymour Street, Hartford, Connecticut. (*January 12, 2006, CON Application, page 1*)
2. Duncaster, Inc. ("Duncaster") is a non-profit, continuing care retirement community located at 40 Loeffler Road, Bloomfield, Connecticut. Duncaster offers short-or longer-term rehabilitation, assisted living or nursing home care. Duncaster also offers medical and dental services, preventive health care, fitness, strength and aerobic exercise. (*January 12, 2006, CON Application, page 1*)
3. Duncaster has provided geriatric primary care services for the past 21 years. Under a contractual agreement the Hospital has provided primary geriatric care services at Duncaster at Caleb Hitchcock Health Center, of which The Sheila Murphy Clinic ("Clinic") is a section, through the use of a hospital physician for the past 11 years. Duncaster has maintained responsibility for operations and billing. (*January 12, 2006, CON Application, page 2 and Additional information received March 8, 2006 and March 14, 2006*)
4. The Hospital and Duncaster (together referred herein as "Applicants") propose to transfer control of the geriatric primary care services from Duncaster to Hartford Hospital. (*January 12, 2006, CON Application, page 3*)
5. Under the proposed agreement, the Hospital will operate the Clinic and provide geriatric medical services (primary and specialty care) and support services under the Hospital license. (*January 12, 2006, CON Application, page 3*)
6. The Hospital will be responsible for professional reimbursement and billing. (*January 12, 2006, CON Application, page 3*)

7. Duncaster will provide professional office space for the geriatric primary care services. *(January 12, 2006, CON Application, page 3)*
8. The Applicants based the need for the proposal on the following:
  - Continuing specialty clinical needs for the Duncaster resident population; and
  - Financial feasibility of providing the proposed services;*(January 12, 2006, CON Application, page 3)*
9. Duncaster currently offers geriatric primary care services to the following population:
  - Ambulatory independent and assisted living residents who use the clinic;
  - Convalescent and long-term residents of the skilled nursing facility;
  - Duncaster Residents who are hospitalized; and
  - Residents of surrounding towns, specifically West Hartford and Bloomfield.*(January 12, 2006, CON Application, page 2 and Additional information received March 8, 2006 and March 14, 2006)*
10. According to the Applicants, clinical expertise and care have been provided to this population through the present arrangement between the Applicants; however, limitations in reimbursement now jeopardize the continuation of these services. *(January 12, 2006, CON Application, page 3)*
11. According to the Applicants, the limitations in reimbursement are due to the fact that currently Duncaster is permitted to bill Medicare for only the professional services portion of the care provided to its patients. A hospital-owned service may bill both the facility and professional fee. After the transfer of these geriatric primary care services, the services will be billed as outpatient hospital services by the Hospital. *(March 14, 2006, Additional information received from Hartford Hospital/Duncaster)*
12. Duncaster's geriatric primary care service utilization for FYs 2003, 2004 and 2005 (10 month annualized) was 3,320, 3,095 and 2,854 visits, respectively. *(January 12, 2006, CON Application, page 4)*
13. The decline between FY 2003 and 2005 is attributed to the loss of clinical staffing of the services and the intentional reduction in census at the clinic at Duncaster prior to the move into the new Caleb Hitchcock facility on the Duncaster campus. *(January 12, 2006, Responses to the Completeness Responses, page 1)*
14. The Applicants project 2,888, 4,828 and 5,076 visits for the geriatric primary services at Duncaster for the first three years of operation. These projections can not be verified by OHCA. *(January 12, 2006, CON Application, page 7)*
15. The Applicants based the projected utilization on historical volumes at Duncaster including residents and individuals from the service area. *(January 12, 2006, CON Application, page 8)*
16. There are no existing providers of comprehensive geriatric primary care services at a long term facility in the service area. *(January 12, 2006, CON Application, page 6)*

17. The existing hours of service at Duncaster are Monday through Friday, from 9:00 am to 4:00 pm. The proposed hours of service will be the same and eventually expand to 8:00 am through 5:00 pm. *(January 12, 2006, CON Application, pages 5&6)*

**Impact of the Proposal on the Interests of Consumers of Health Care Services  
and Payers for Such Services  
Financial Feasibility of the Proposal and its Impact on the Applicants' Rates  
and Financial Condition  
Consideration of Other Section 19a-637, C.G.S. Principles and Guidelines**

18. The proposal has an associated capital expenditure of \$18,414, for purchase of non-medical equipment and Allscripts/EMR. *(January 12, 2006, CON Application, page 13)*
19. The Hospital proposes to fund the proposal through Hospital equity, specifically through fund depreciation. *(January 12, 2006, CON Application, page 14)*
20. The Hospital's projections from operations incremental to the proposal, are presented in the following table:

**Table One: Financial Projections Incremental to the CON Proposal**

<b>Description</b>	<b>FY 2006</b>	<b>FY 2007</b>	<b>FY 2008</b>
Revenue from Operations	\$212,869	\$361,205	\$382,157
Total Operating Expenses	222,727	352,731	365,215
<b>Gain from Operations</b>	<b>\$(9,858)</b>	<b>\$8,474</b>	<b>\$16,942</b>

Note: The loss from operations for the first year (FY 2006) of the proposal is due to start-up expenses. *(January 12, 2006, CON Application, pages 110&111)*

21. Duncaster experienced losses of \$(112,203), \$(160,475) and \$(113,720) during FYs 2003, 2004 and 2005 (first 10 months), respectively, directly relating to its geriatric primary care service. *(March 8, 2006, Additional information received from the Applicants)*
22. The geriatric primary care services at Duncaster will be staffed by 3.25 Full-Time Equivalents ("FTE"). This includes a full-time receptionist and a patient care assistant, .75 FTE of Advanced Practice Nurse Practitioner and .50 FTE physician. *(January 12, 2006, CON Application, page16)*
23. Under the proposed arrangement between the Applicants, for the first two years of operation, the Hospital will not pay a fee to lease the space. After the 24<sup>th</sup> month, the Hospital will pay a Fair Market Value lease rate. *(March 14, 2006, Additional information received from Hartford Hospital/Duncaster)*

24. The Hospital's current and projected payer mix after the proposed change in ownership is as follows:

**Table Two: Current and Projected Hospital's Payer Mix**

	Current Payer Mix	Projected Year 1	Projected Year 2	Projected Year 3
Medicare	45.6%	45.6%	45.6%	45.6%
Medicaid	9.8%	9.8%	9.8%	9.8%
CHAMPUS and TriCare	0.1%	0.1%	0.1%	0.1%
<b>Total Government Payers</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%
<b>Total Non-Government Payers</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>

*(January 12, 2006, CON Application, page 15)*

25. There is no State Health Plan in existence at this time. *(January 12, 2006, CON Application, page 2)*
26. The Hospital stated that the proposal is consistent with its long-range plans. *(January 12, 2006, CON Application, page 2)*
27. The Hospital has undertaken activities to improve productivity and contain costs through energy conservation, group purchasing and application of technology. *(January 12, 2006, CON Application, page 10)*
28. The proposal will not result in changes to the Hospital's teaching and research responsibilities. *(January 12, 2006, CON Application, page 10)*
29. There are no distinguishing characteristics of the Hospital's patient/physician mix. *(January 12, 2006, CON Application, page 10)*
30. The Hospital has sufficient technical, financial and managerial competence to provide efficient and adequate services to the public. *(January 12, 2006, CON Application, page 9 and Appendix A)*
31. The Hospital's rates are sufficient to cover the proposed capital expenditure and operating expenses associated with the proposal. *(January 12, 2006, CON Application, pages 110&111)*

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

Hartford Hospital (“Hospital”) and Duncaster, Inc. (“Duncaster”) (“collectively referred to as “Applicants”) are proposing to transfer the control of the geriatric primary care services offered at Duncaster from Duncaster to the Hospital. The proposed services are currently being offered to the residents of Duncaster, as well as surrounding towns, specifically West Hartford and Bloomfield.

The Applicants based the need for the proposed transfer of control of the primary geriatric primary care services from Duncaster to the Hospital on continuing specialty clinical needs for the Duncaster residents and financial feasibility of providing the proposed services. Duncaster has been offering the proposed services for over 21 years. For the past 11 years Hartford Hospital has been providing the proposed services utilizing a Hospital physician under a contractual agreement with Duncaster and Duncaster has been responsible for the billing of the services. According to the Applicants, the limitations in Medicare reimbursement jeopardize the continuation of the proposed services as they are currently structured. Duncaster is permitted to bill Medicare for only the professional services portion of the care provided to its patients. A hospital-owned service may bill both the facility and professional fee. Under the proposal, the Hospital will operate the clinic at Duncaster and provide the geriatric medical services and support services under its own license and bill for these services as outpatient hospital services. The Hospital will be responsible for professional reimbursement and billing, and Duncaster will provide professional office space for the proposed service.

For FYs 2003, 2004, and 2005 (10 months annualized), Duncaster’s utilization for geriatric primary care services was 3,320, 3,095 and 2,854 visits, respectively. The decline between FY 2003 and 2005 was contributed to the loss of clinical staffing of the services and the intentional reduction in the census at the clinic due to the relocation of the clinic. There are no existing providers of comprehensive geriatric primary care services within a long-term care setting in the service area. The proposal will maintain access to quality geriatric primary care services for the residents of Duncaster and its community.

The total capital expenditure for the proposal is \$18,414. The Hospital proposes to fund this CON proposal through Hospital equity, specifically through fund depreciation. Duncaster has experienced losses of \$(112,203), \$(160,475) and \$(113,720) during FYs 2003, 2004 and 2005 (first 10 months), respectively, directly relating to its geriatric primary care service. The Hospital projects a loss in operations incremental to the proposal (\$9,858) for FY 2006 due to start-up expenses. However, the Hospital projects gains from operations of \$8,484 and \$16,947 for FYs 2007 & 2008, respectively. The Hospital projects gains due to the increased volume of patients

and increased reimbursement compared to these services being billed by Duncaster. Although OHCA can not draw any conclusions, the projected volumes and the financial projections appear to be reasonable and achievable. Therefore, OHCA finds that the CON proposal is both financially feasible and cost effective.

Therefore, based on the foregoing Findings and Rationale, the Certificate of Need application of Duncaster, Inc and Hartford Hospital to transfer of control of the geriatric primary care services at Duncaster, Inc., at a total capital expenditure of \$18,414, is hereby GRANTED.

## Order

Duncaster Inc. (“Duncaster”) and Hartford Hospital (“Hospital”) (“collectively referred to as “Applicants”) are hereby authorized to transfer the control of the geriatric primary care services at Duncaster, Inc., at a total capital expenditure of \$18,414. The authorization is subject to the following conditions:

1. This authorization shall expire on December 31, 2007. Should the Applicants’ proposal not be completed by that date, the Applicants must seek further approval from OHCA to complete the project beyond that date.
2. The Hospital shall not exceed the authorized capital expenditure of \$18,414. In the event that the Hospital learns of potential cost increases or expects the final project costs will exceed those approved, the Hospital shall file with OHCA a request for approval of the revised CON project budget.
3. In the future, if the Hospital proposes to transfer the control of the geriatric primary care services offered or changes location of the geriatric primary care services at Duncaster, a CON determination shall be filed with OHCA.
4. The Hospital must provide OHCA with a signed copy of the final agreement or memorandum of understanding between the Applicants, prior to March 31, 2007.

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

March 21, 2006

Signed by Cristine A. Vogel  
Commissioner

CAV:swl