



Office of Health Care Access Certificate of Need Application

Final Decision

Applicant: Greenwich Hospital

Docket Number: 06-30874-CON

Project Title: Acquisition and Operation of a New Radiation Oncology Linear Accelerator and the Construction of a New Vault to Accommodate the Equipment

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

Filing Date: May 25, 2007

Decision Date: June 18, 2007

Default Date: August 23, 2007

Staff: Jack A. Huber

Project Description: Greenwich Hospital proposes to acquire and operate a new radiation oncology linear accelerator and to construct a new vault to accommodate the equipment. The proposed total capital expenditure for the project is \$10,090,025.

Nature of Proceedings: On May 25, 2007, the Office of Health Care Access ("OHCA") received the Certificate of Need ("CON") application of Greenwich Hospital ("Hospital") seeking authorization to acquire and operate a new radiation oncology linear accelerator and to construct a new vault to accommodate the equipment. The proposed total capital expenditure for the project is \$10,090,025. 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 *Greenwich Times* on December 2, 2006. OHCA received no responses from the public concerning the Hospital's proposal. Pursuant to Section 19a-639, C.G.S., three individuals or an individual representing an entity with five or more people

had until June 15, 2007, 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. Commissioner Cristine A. Vogel designated Susan Cole England, Director Certification, Financial Analysis and Forecasting as presiding officer with final decision making authority in this matter.

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. Greenwich Hospital ("Hospital") is an acute care general hospital, located at 5 Perryridge Road in Greenwich, Connecticut. *(November 22, 2006, Letter of Intent, page 1)*
2. The Bendheim Cancer Center ("Center") is the Hospital's diagnostic and treatment center providing cancer care and support services to oncology patients and their families. *(March 20, 2007, Initial CON application, Exhibit 1, page 16)*
3. The Hospital proposes the following project regarding its radiation oncology service: *(March 20, 2007, Initial CON application, Exhibit 1, pages 17 and 18)*
 - The acquisition and operation of a new radiation oncology linear accelerator;
 - The construction of a new vault to accommodate the equipment; and
 - The retention of the existing radiation oncology linear accelerator for the purpose of providing treatment services during the construction phase of the project and as a back-up to the new accelerator once the new equipment becomes operational.
4. The Center's existing linear accelerator was approved by the Commission on Hospitals and Healthcare, predecessor to the Office of Health Care Access. The July 18, 1989, authorization was part of the Bendheim Cancer Center's CON authorization under Docket Number: 89-548, as subsequently modified by Docket Number: 91-547R. *(March 20, 2007, Initial CON application, Exhibit 1, page 17)*

5. The Hospital indicates its existing linear accelerator can no longer be relied upon to serve as the main treatment unit for the radiation therapy service due to the following: *(March 20, 2007, Initial CON application, Exhibit 1, pages 16 and 17)*
 - The age and condition of the current equipment;
 - The equipment cannot be upgraded to include recent advances in technology; and
 - The equipment cannot provide for current standards of oncology care for all patients in all circumstances.
6. The Hospital proposes to purchase a Varian High Energy Clinac iX linear accelerator that incorporates image guided radiation therapy (“IGRT”) capabilities. *(March 20, 2007, Initial CON application, page 11 and Exhibit 8, pages 154 through 170)*
7. Linear accelerators possessing IGRT capability 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. *(March 20, 2007, Initial CON application, Exhibit 1, page 17)*
8. The Hospital indicates that the proposal is intended to serve residents from the communities that comprise the Hospital’s service area. *(March 20, 2007, Initial CON application, Exhibit 1, page 16)*
9. The Hospital indicates its primary service area (“PSA”) includes the following towns in Fairfield County Connecticut and Westchester County New York: *(March 20, 2007, Initial CON application, Exhibit 1, page 16)*
 - Connecticut: Greenwich, Darien, New Canaan and Stamford; and
 - New York: Harrison, Larchmont, Mamaroneck, Port Chester/Rye Brook and Rye.
10. The Hospital indicates its secondary service area (“SSA”) includes the following towns by state: *(March 20, 2007, Initial CON application, Exhibit 1, page 16)*
 - Connecticut: Fairfield, Norwalk, Weston, Westport and Wilton; and
 - New York: Armonk, Bedford/Bedford Hills, Hartsdale, Katonah, Mount Kisco, Mount Vernon, New Rochelle, Pound Ridge, Purchase, Scarsdale, South Salem and White Plains.

11. The Hospital reported the following number of radiation therapy treatments by service area town and locale provided to Connecticut and New York state residents for fiscal years ("FYs") 2004 through 2006: (*May 25, 2007, Completeness responses, pages 1 and 2 and Attachment 1, page 7*)

Table 1: Actual Radiation Therapy Procedures

CT PSA Towns and Other Service Areas	FY 2004		FY 2005		FY 2006	
	Procedures	%	Procedures	%	Procedures	%
Darien	256	53.4	272	62.6	205	50.6
Greenwich	3,986		4,722		2,761	
New Canaan	333		127		201	
Stamford	1,005		1,035		567	
All CT PSA Towns	5,580		6,156		3,734	
All CT SSA Towns	526	5.0	416	4.2	473	6.4
All NY SA Towns	3,350	32.0	2,275	23.1	2,428	32.9
Other Towns	1,006	9.6	988	10.1	742	10.1
Procedure Totals*	10,462	100	9,835	100	7,377	100

Notes: * Reduction in total annual procedures is due in part to the retirement of one oncologist. Additional oncologists have been added to the medical staff and are expected to compensate for past volume losses.

12. The Hospital projected the following number of treatments to be performed by its radiation oncology service from FYs 2007 through 2010: (*March 20, 2007, Initial CON application, Exhibit 1, page 19*)

Table 2: Projected Radiation Therapy Treatments, FY 2007 through 2010

Description	FY 2007	FY 2008	FY 2009	FY 2010
# Treatments	7,752*	7,907	8,065	8,226
% Increase**	-	2.0%	2.0%	2.0%

Notes: * The projected number of treatments for FY 2007 is derived from annualizing the Hospital's actual 3230 treatments performed from October 2006 to February 2007.

** An annual growth rate of 2.0% is projected for future years based on an aging service area population, the hiring of additional radiation oncologists and the addition of IGRT capability.

13. The Hospital maintains and adheres to the practice guidelines outlined by the American College of Radiology. (*March 20, 2007, Initial CON application, page 4*)

**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**

14. The total capital expenditure for the proposal is \$10,090,025 and is itemized in the following table: *(March 20, 2007, Initial CON application, page 9)*

Table 3: Total Capital Cost Itemization

Description	Component Cost
Building Work	\$6,531,857
Linear Accelerator Equipment	\$2,695,191
Non-medical Equipment	\$862,977
Total Capital Expenditure	\$10,090,025

15. The building costs are itemized as follows: *(March 20, 2007, Initial CON application, pages 10 and 11)*

Table 4: Building Cost Itemization

Description of Costs	Construction	Renovation	Total
Building Work	\$4,252,000	\$148,000	\$4,400,000
Site Work	\$327,000	-	\$327,000
Architectural & Engineering	\$493,813	-	\$493,813
Inflation Adjustment	\$160,000	-	\$160,000
Other	\$1,151,044	-	\$1,151,044
Total Building Costs	\$6,383,857	\$148,000	\$6,531,857

16. The proposed capital expenditure will be financed entirely through funded depreciation. *(March 20, 2007, Initial CON application, page 12)*
17. The Hospital's projected three-year incremental revenue from operations, total operating expense and losses/gains from operations associated with the implementation of the new unit are presented in the table below: *(May 25, 2007, Completeness responses, page 6 and Attachment 3, page 10)*

Table 5: Hospital's Financial Projections Incremental to the Project

Description	FY 2009	FY 2010	FY 2011
Incremental Revenue from Operations	\$279,000	\$320,000	\$336,000
Incremental Total Operating Expense	\$424,000	\$833,000	\$851,000
Incremental Loss from Operations	(\$145,000)	(\$513,000)	(\$515,000)

18. The projected incremental losses from operations in for FYs 2009 through 2011 are primarily due to increased depreciation expenses and professional/contracted services associated with the implementation of the proposal. *(May 25, 2007, Completeness responses, page 6 and Attachment 3, page 10)*

19. The Hospital's projected overall facility revenue from operations, total operating expense and gain from operations with the proposal are as follows: *(May 25, 2007, Completeness responses, page 6 and Attachment 3, page 10)*

Table 6: Hospital's Overall Financial Projections with the Project

Description	FY 2009	FY 2010	FY 2011
Revenue from Operations	\$281,005,000	\$291,044,000	\$302,151,000
Total Operating Expense	\$276,263,000	\$286,661,000	\$297,693,000
Gain from Operations	\$4,742,000	\$4,383,000	\$4,458,000

20. The project schedule is as follows: *(March 20, 2007, Initial CON application, page 11)*

Table 7: Proposed Construction Schedule

Description	Date
Construction Commencement	December 17, 2007
Construction Completion	June 27, 2008
Commencement of Operation	November 21, 2008

21. The project has been designed in a manner that will allow the Hospital to provide services in an uninterrupted fashion. *(March 20, 2007, Initial CON application, page 11)*
22. The Hospital's existing payer mix is not expected to change as a result of this project. The current and projected payer mix for the first three years of operation with the new linear accelerator is illustrated in the as following table: *(March 20, 2007, Initial CON application, page 13)*

Table 8: Current and Three-Year Projected Payer Mix with the Proposal

Payer	Current and Projected (FYs 2007 to 2010)
Medicare	29.7%
Medicaid	1.4%
TriCare (CHAMPUS)	0.0%
Total Government	31.1%
Commercial Insurers	62.2%
Uninsured	4.8%
Workers Compensation	1.9%
Total Non-Government	68.9%
Total Payer Mix	100.0%

23. There is no State Health Plan in existence at this time. *(March 20, 2007, Initial CON application, page 4)*
24. The Hospital has adduced evidence that this proposal is consistent with its long-range plan. *(March 20, 2007, Initial CON application, page 4)*

25. The Hospital has improved productivity and contained costs by undertaking energy conservation measures regarding its facilities; by participating in activities involving the application of new technology and reengineering; and by employing group purchasing practices in its procurement of supplies and equipment. *(March 20, 2007, Initial CON application, page 8)*
26. The proposal will not result in any change to the Hospital's teaching and research responsibilities. *(March 20, 2007, Initial CON application, page 8)*
27. The Hospital's current patient/physician mix is similar to that of other acute care hospitals in the region. The proposal will not result in any change to this mix. *(March 20, 2007, Initial CON application, page 8)*
28. The Hospital has sufficient technical and managerial competence to provide efficient and adequate services to the public. *(March 20, 2007, Initial CON application, page 7 and Exhibit 3, pages 108 through 125)*
29. The Hospital's rates are sufficient to cover the proposed capital expenditure and operating costs. *(May 25, 2007, Completeness responses, page 6 and Attachment 3, page 9)*

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.

Greenwich Hospital ("Hospital") proposes to acquire and operate a new linear accelerator and to construct a new vault to house the new equipment. The Hospital also plans to retain its existing linear accelerator for the purpose of providing treatment services during the construction phase of the project and as a back-up to the new accelerator once the new equipment becomes operational. The Hospital seeks to purchase a Varian High Energy Clinac iX linear accelerator that incorporates image guided radiation therapy ("IGRT") capabilities. The IGRT technologies allow for the administration of more direct radiation to the tumor site, limiting the exposure of radiation to normal tissue. The Hospital anticipates the new equipment will be fully operational by late November 2008. The proposal is intended to serve residents from the communities that comprise the Hospital's service area.

The existing linear accelerator was approved by the Commission on Hospitals and Healthcare as part of the Hospital's Bendheim Cancer Center CON authorization on July 18, 1989, under Docket Number: 89-548. The existing linear accelerator can no longer be relied upon to serve as the main treatment unit for the radiation therapy service. This is primarily due to the age and condition of the current equipment and the inability to upgrade the current equipment to

advances in technology. Consequently, the existing equipment cannot provide current oncology standard of care for all patients in all circumstances. Based on the above, OHCA finds that the Hospital's proposal to acquire and operate the new linear accelerator will improve the overall quality of care for those served by the Hospital's radiation oncology service.

The total capital expenditure for the CON proposal is \$10,090,025. The project will be financed through Hospital funded depreciation. The Hospital's actual service volume in treatments for fiscal years 2004 through 2006 are 10,462, 9,835 and 7,377 treatments, respectively. The reduction in total annual procedures is due to the retirement of one radiation oncologist. Additional oncologists have been added to the medical staff and are expected to compensate for past volume losses. The Hospital projects incremental losses from operations with implementation of the project of \$145,000, \$513,000 and \$515,000 for the fiscal years 2009 through 2011, respectively. The projected incremental losses from operations are due to increased depreciation associated with the project. Further, the Hospital projects overall gains from operations with the implementation of the project of \$4,724,000, \$4,383,000 and \$4,458,000 for FYs 2009 through 2011, respectively. Although OHCA can not draw any conclusions, the Hospital's volume and financial projections upon which they are based appear to be reasonable. Therefore, OHCA finds that the CON proposal is both financially feasible and cost effective.

Based on the foregoing Findings and Rationale, the Certificate of Need application of Greenwich Hospital to acquire and operate a new radiation oncology linear accelerator, construct a new vault to accommodate the new equipment, and retain the existing linear accelerator for back-up purposes, at a total capital expenditure of \$10,090,025, is hereby GRANTED, subject to conditions.

ORDER

Greenwich Hospital ("Hospital") is hereby authorized to acquire and operate a new radiation oncology linear accelerator, construct a new vault to accommodate the new equipment, and retain the existing linear accelerator for back-up purposes, at a total capital expenditure of \$10,090,025, subject to the following conditions:

1. This authorization shall expire October 10, 2008. Should the Hospital's 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 capital expenditure of \$10,090,025. 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 notify OHCA immediately. The Hospital is authorized to acquire and operate a new linear accelerator for use in the approved ambulatory cancer center.
3. With respect to the acquisition of the new radiation oncology linear accelerator, the Hospital shall submit to OHCA in writing the following information by no later than one month after the equipment has become operational:
 - a) The name of the equipment manufacturer;
 - b) The model name and description of the equipment; and
 - c) The initial date of the operation of the equipment.
4. Should the Hospital propose any change in the array of health care services offered or a change in its complement of existing major medical or imaging equipment, the Hospital shall file with OHCA appropriate documentation regarding its change, including either a Certificate of Need Determination Request or a Certificate of Need Letter of Intent.

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

June 18, 2007

Signed by Susan Cole England
Director; Certification, Financial
Analysis and Forecasting