



## Office of Health Care Access Certificate of Need Application

### Final Decision

**Hospital:** Hospital of Saint Raphael

**Docket Number:** 03-30145-CON

**Project Title:** Relocation of Ambulatory Clinics

**Statutory Reference:** Section 19a-639, C.G.S.

**Filing Date:** October 14, 2003

**Hearing Date:** Waived

**Decision Date:** November 5, 2003

**Default Date:** January 12, 2003

**Staff Assigned:** Laurie Greci

**Project Description:** Hospital of Saint Raphael (“Hospital”) proposes to relocate the ambulatory clinics currently located in the Orchard Medical Office Building at 330 Orchard Street, New Haven to a modular addition to the McGivney Cancer Center at 1450 Chapel Street, New Haven. The Hospital also proposes to renovate the newly vacated space to accommodate a six-physician member urological practice. The total capital expenditure of the proposal is \$4,673,450.

**Nature of Proceedings:** On October 14, 2003, the Office of Health Care Access (“OHCA”) received the Hospital of Saint Raphael’s (“Hospital”) completed Certificate of Need (“CON”) application seeking authorization to relocate the ambulatory clinics, located at 330 Orchard Street, New Haven, to a modular addition to the McGivney Cancer Center at 1450 Chapel Street, New Haven. The Hospital also proposes to renovate the newly vacated space to accommodate a six-physician member urological practice. The total capital expenditure is \$4,673,450. The Hospital is a health care facility or institution as defined by Section 19a-630 of the Connecticut General Statutes (“C.G.S.”).

The Hospital requested a waiver of public hearing for the CON application pursuant to Section 19a-643-45 of OHCA's Regulations and claimed that the proposal was non-substantive as defined in Section 19a-643-95(3) of OHCA's Regulations. On October 17, 2003, the Hospital was informed that the CON application was eligible for consideration of waiver of hearing. A notice to the public was published in *The New Haven Register* on October 19, 2003. OHCA received no comments from the public concerning the Hospital's request for waiver of hearing during the public comment period, and therefore on November 4, 2003, OHCA granted the Hospital's request for waiver of hearing.

OHCA's authority to review and approve, modify or deny this application is established by Section 19a-639, C.G.S. The provisions of these sections, 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

### Current Utilization Statistics

### Contribution to Accessibility and Quality of Health Care Delivery in the Region Impact of the Proposal on the Interests of Consumers of Health Care Services and Payers for Such Services

1. Hospital of Saint Raphael ("Hospital") is an acute care hospital located at 1450 Chapel Street, New Haven, Connecticut. (*September 24, 2003, CON Application, page 145*)

2. The Hospital's service area consists of 22 towns in the Greater New Haven area:

Ansonia	East Haven	New Haven	Seymour
Bethany	Guilford	North Branford	Shelton
Branford	Hamden	North Haven	Wallingford
Cheshire	Madison	Orange	West Haven
Clinton	Meriden	Oxford	Woodbridge
Derby	Milford		

(*September 24, 2003, CON Application, page 6*)

3. The Hospital proposes to relocate the following ambulatory clinics ("clinics"):

- Adult Medicine;
- Pediatrics;
- Haelen (Infectious Disease) Ambulatory Clinic; and
- Obstetrics/Gynecology Ambulatory Clinic.

(*September 24, 2003, CON Application, page 2*)

4. The vacated space in the Orchard Medical Office Building will be renovated to accommodate a six-physician member urology practice. (*September 24, 2003, CON Application, page 5*)

5. The clinics will be located in a new modular clinic space that will be known as “The Hospital of Saint Raphael Family Health Center.” *(September 24, 2003, CON Application, page 2 and October 14, 2003, Completeness Response, page 4)*
6. The new modular clinical space will be built and installed by GE Capital, Inc. The modular units are being designed to the Hospital’s specifications and will include sprinklers, smoke barriers, smoke detectors, and a complete fire alarm system. The estimated useful life of the modular units is 30 to 40 years. *(September 24, 2003, CON Application, page 2 and October 14, 2003, Completeness Response, page 4)*
7. The relocation of the ambulatory clinics will expand the total square footage from 11,466 square feet to 16,550 square feet. The additional square footage will accommodate five examination rooms, expanded patient waiting area, and increased clinical treatment space. The following table lists each department, the existing space availability and the proposed space availability:

**Table 1: Space Availability in Square Feet**

<b>Department</b>	<b>Existing Area</b>	<b>New Area</b>
Adult Medicine	4,515	5,390
Pediatrics	2,753	3,825
Haelen (Infectious Disease)	1,454	2,665
Obstetrics/Gynecology	2,416	2,705
Blood Drawing Station	328	345
Subtotal	11,466	14,930
Ramps and Corridors		1,080
Utility Room		540
<b>Total</b>	<b>11,466</b>	<b>16,550</b>

*(September 24, 2003, CON Application, page 5)*

8. The proposal includes the application of negative airflow in all waiting areas, as well as negative airflow rooms in the Pediatric Primary Care, Adult Medicine, and Obstetrics/Gynecology clinical areas. *(September 24, 2003, CON Application, page 5)*
9. The need for this proposed is based on the following:
  - The increase in volume for the services of the ambulatory clinics;
  - Medical treatment concerns; and
  - HIPAA<sup>1</sup> privacy regulations.*(September 24, 2003, CON Application, page 2)*
10. The current clinical space was last renovated over 10 years ago and is not adequately sized to meet the current demand. *(September 24, 2003, CON Application, page 2)*

---

<sup>1</sup> Health Insurance Portability and Accountability Act of 1996, Public Law 104-191.

11. The relocation of the clinics will provide immediate relief from the cramped and inadequate space of the current clinic location. *(October 14, 2003, Completeness Response, page 4)*
12. Approximately 80% of the clinics' patients reside within the Hospital's primary service area. In addition to anticipated growth in the size of the population, the percentage of residents aged 65 and over (14.3%) in the primary service area is higher than that of Connecticut as a whole (13.9%). The projected increase in population and aging of the population will result in continued demand for the services offered by the clinics. *(September 24, 2003, CON Application, page 4)*
13. The Hospital's commitment to the concept of centralized family medicine and care for inner city residents supports the need to reconfigure and relocate the clinics. *(September 24, 2003, CON Application, page 3)*
14. The Hospital anticipates a significant increase in the volume of visits in the Pediatric Primary Care Services in FY 2004. This increase will be a result of the reduced provider enrollment in the Medicaid program locally. *(October 14, 2003, Completeness Response, page 1)*
15. The volume projections for the clinics, excluding the pediatric clinic, used a conservative projection of no increase in FYs 2004, 2005, and 2006. Although the Hospital anticipates overall growth in the adult medicine clinics, there is a potential loss of the State Administered General Assistance ("SAGA") patient volume because of changes in legislation. SAGA now requires that patients receive primary medical care only from federally qualified health centers. The Hospital clinics do not meet this eligibility criterion. *(October 14, 2003, Completeness Response, pages 2 and 3)*
16. As an inner city hospital, the Hospital is land-locked with few real estate options available. *(October 14, 2003, Completeness Response, page 5)*
17. The number of actual and project clinic visits from 2000 through 2004 are given in the table below:

**Table 2: Number of Clinic Visits for Selected Clinics  
 from October 2000 through September 2007**

Service	Fiscal Year				
	Actual 2000	Actual 2001	Actual 2002	Annualized 2003	Projected 2004
Medicine	10,492	12,686	15,449	16,783	16,783
Women and Children's Services	19,152	18,835	17,139	19,011	21,011

*(September 24, 2003, CON Application, page 24)*

18. The construction of the building is in Phase I of the Hospital's Master Facilities Plan; the units will be used as critically necessary swing space during Phases II and III. *(September 24, 2003, CON Application, page 3 and October 14, 2003, Completeness Response, page 5)*

19. The Hospital anticipates that within 3 to 5 years the Family Health Center will be relocated to a permanent location through its incorporation into the design of a new Ambulatory Service Building. *(September 24, 2003, CON Application, page 3 and October 14, 2003, Completeness Response, page 5)*
20. The addition of the six-physician member urology practice at the Orchard Medical Office Building has the following benefits:
- Improve patient care by having physician access to inpatients;
  - Improve residency training by having physicians on campus;
  - Enhance the growth and development of surgical and cancer services; and
  - Allow patients to have an outpatient appointment in the same location as diagnostic tests and therapeutic services.
- (September 24, 2003, CON Application, page 5)*

**Financial Feasibility of the Proposal and its Impact on the Hospitals' Rates and Financial Condition**  
**Impact of the Proposal on the Interests of Consumers of Health Care Services and Payers for Such Services**

21. The proposed capital expenditure for the Family Health Center is \$3,350,800; the cost components are given in the following table:

**Table 3: Capital Expenditure for the Family Health Center**

<b>Component</b>	<b>Cost</b>
Design and Construction	\$2,884,600
Network and Telephone System	80,000
Blinds and Cubical Curtains	30,000
Signage, Keying and Cylinders	17,000
Move Costs	15,000
Removal of Existing Roof Garden Material	10,000
Engineering Fit Out and System Tie-ins	10,000
<b>Subtotal</b>	<b>\$3,046,600</b>
10% Contingency	304,000
<b>Total</b>	<b>\$3,350,600</b>

*(September 30, 2003, Facsimile, page 2)*

22. The proposed capital expenditure for renovation the vacated space in the Orchard Medical Office Building is \$1,243,000; the cost components are given in the following table:

**Table 4: Capital Expenditure for the Medical Office Building**

<b>Component</b>	<b>Cost</b>
Construction	1,000,000
Design	100,000
Cabling and Communications	30,000
<b>Subtotal</b>	<b>1,130,000</b>
10% Contingency	113,000
<b>Total</b>	<b>\$1,243,000</b>

*(September 30, 2003, Facsimile, page 2)*

23. The total proposed capital expenditure for the proposal, including a 10% contingency for additional costs, is \$4,673,450. *(September 24, 2003, CON Application, page 14)*
24. The Hospital proposes to fund the total capital expenditure with operating funds. *(September 24, 2003, CON Application, page 17)*
25. For the ten months ended on July 31, 2003, the Hospital has a net income gain of \$2.6 million and a cash balance of \$54 million. *(September 24, 2003, CON Application, page 19)*
26. The Hospital is the sole owner of the Orchard Medical Office Building. The Hospital projects rental income from the private physician practice to be \$277,000 per year. *(September 24, 2003, CON Application, page 160 and October 14, 2003, Completeness Response Transmittal Letter)*
27. The projected incremental gain from operations is expected to be \$12,343, \$194,690, and \$194,690 for FYs 2004, 2005, and 2006, respectively. The increases in revenue for FYs 2005 and 2006 are due to projected increases in the clinic volume, increases in the number of computerized tomography scans, and the receipt of rental income from the private physician practice moving into the Orchard Medical Office Building. *(September 24, 2003, CON Application, page 160)*

28. The Hospital's Total Facility current payer mix and the projected payer mix for the next three years with the proposal is presented in the following table:

**Table 5: Current Payer and Project Payer Mix for the Hospital's Total Facility**

<b>Payer Description</b>	<b>Current and Projected, Percent (%)</b>
Medicare	16.00
Medicaid* (including other medical assistance)	69.00
TriCare (CHAMPUS)	0.07
<b>Total Government Payers</b>	<b>85.07</b>
Commercial Insurers	5.00
Self-Pay	8.50
Workers Compensation	1.43
<b>Total Non-Government Payers</b>	<b>14.93</b>
Uncompensated Care	0.00
<b>Total Payer Mix</b>	<b>100.00</b>

*(September 24, 2003, CON Application, page 18)*

29. The project is not expected to affect the delivery of patient care. The new space will be virtually complete when the clinics are transferred from the medical office building.  
*(September 24, 2003, CON Application, page 15)*

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

Deleted: ¶

The following findings are made pursuant to other principles and guidelines set forth in Section 19a-637, C.G.S.:

30. There is no State Health Plan in existence at this time. *(September 24, 2003, CON Application, page 2)*

Deleted: were also fully considered and the following findings made.

31. The Hospital has adduced evidence that this proposal is consistent with its long-range plan. *(September 24, 2003, CON Application, page 2)*

32. The Hospital has improved productivity and contained costs through energy conservation, group purchasing, re-engineering, and applications of technology. *(September 24, 2003, CON Application, page 11)*

33. The addition of the urology practice to the Orchard Medical Office Building will enhance patient care and provide additional support to the Hospital's teaching programs. It will promote growth and development of the surgical and cancer services at the Hospital. *(September 24, 2003, CON Application, page 5)*

Deleted: ¶  
¶

34. A distinguishing characteristic of the patient/physician mix is that the Hospital is the only area provider of primary care services that currently accepts all four Connecticut Medicaid managed care plans. *(September 24, 2003, CON Application, page 12)*

35. The Hospital has sufficient technical, financial, and managerial competence to provide efficient and adequate service to the public. (*September 24, 2003, CON Application, Attachments 4 and 8*)

## Rationale

**Deleted:** It was determined that these principles and guidelines are not affected by the proposed replacement fluoroscopy equipment.¶

The Hospital of Saint Raphael ("Hospital") proposes to relocate its ambulatory clinics, currently located in the Orchard Medical Office Building at 330 Orchard Street, New Haven, to the McGivney Cancer Center at 1450 Chapel Street, New Haven. The Hospital also proposes to renovate the vacated space to accommodate a six-physician member urological practice. The total capital expenditure for the proposal is \$4,673,450.

The need for the relocation of the ambulatory clinics is based on the increased volume in services provided by the clinics of the services of the ambulatory clinics, medical treatment concerns, and the HIPAA privacy laws. The Hospital currently uses the first floor of its Orchard Medical Office Building to house its ambulatory clinics. The space was last renovated over 10 years ago and is not adequately sized to meet the current demand. The Hospital anticipates a significant increase in the volume of visits, particularly in Pediatric Primary Care Services in FY 2004.

The modular addition to the McGivney Cancer Center will provide the needed space for patients and staff so that the Hospital can improve delivery and enhance the quality of the care that its patients receive in the ambulatory clinics. Once the clinics have been relocated, the Hospital will operate its ambulatory clinics under a new name, *The Hospital of Saint Raphael Family Health Center*.

The use of modular space on an existing building is an efficient way to add space at a reasonable cost. The Hospital anticipates that within 3 to 5 years the Family Health Center will be relocated to a permanent location through its incorporation into the design of a new Ambulatory Services Building. Although the relocation of the clinics to the McGivney Cancer Center is an interim step, it will provide immediate relief from the cramped and inadequate space of the current clinic location. The construction of the building is in Phase I of the Hospital's Master Facilities Plan; the units will be used as critically necessary swing space during Phases II and III.

The relocation of the ambulatory clinics will allow the Hospital to renovate the vacated space in the Orchard Medical Office Building. A six-physician member urology practice will move into the space. The presence of this practice on the Hospital's campus will improve patient care, patient treatment, and residency training.

The Hospital's proposal will remedy some barriers to health care access by enhancing the availability and quality of its primary care health services to a primarily underserved population. The relocation of the Women and Children's Services and Adult Medicine clinics will enhance the concept of the Hospital's Family Health Center where primary care services can be provided to the entire family in one location.



The overall cost of the proposal is \$4,673,450. The proposal will generate nominal increases in revenue from increased clinic volume, an increase in the number of CT scans, and rental income from the private physician practice. The Hospital will be financing the proposal using operating funds. The Hospital reports an operating fund cash balance of \$54 million on July 31, 2003. The financial projections relating to the operational aspects of this project appear reasonable and achievable. Based on the above, the proposal is in the best interest of the Hospital's patients and the payers of the service.

Based on the foregoing Findings and Rationale, the Certification of Need application of The Hospital of Saint Raphael to add modular space and relocate its ambulatory clinics to the McGivney Cancer Center at 1450 Chapel Street, New Haven, and to renovate the vacated space in the Orchard Medical Office Building, 330 Orchard Street, New Haven, for the addition of a physicians' practice is hereby **GRANTED**.

## Order

Hospital of Saint Raphael is hereby authorized to relocate its ambulatory clinics to the McGivney Cancer Center at 1450 Chapel Street, New Haven, and renovate the vacated space in the Orchard Medical Office Building located at 330 Orchard Street, New Haven. The proposal has a total capital expenditure of \$4,673,450 and is subject to the following conditions:

1. The authorization shall expire on November 4, 2005. Should the relocation of the ambulatory clinics and the renovations of the medical office building not be completed by that date, Hospital of Saint Raphael must seek further approval from OHCA to complete the project beyond that date.
2. The Hospital of Saint Raphael shall not exceed the approved capital expenditure of \$4,673,450, which will be funded with its operating funds. In the event that the Hospital learns of potential cost increases or expects that the final project costs will exceed those approved, Hospital of Saint Raphael shall file with OHCA a request for approval of the revised 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

*Signed by Commissioner Heffernan on November 5, 2003*

\_\_\_\_\_  
Date

\_\_\_\_\_  
Mary M. Heffernan  
Commissioner

MMH:lkg

### Table Descriptions

**Table 1** lists each department, the existing space availability, and the proposed space availability once the clinic is operating in the new modular space at the McGivney Cancer Center. The Adult Medicine department has 4,515 square feet of existing space, which will increase to 5,390 square feet; the Pediatrics department has 2,753 square feet that will increase to 3,825 square feet; the Haelen Infectious Disease clinic has 1,454 square feet that will increase to 2,665 square feet; the ob/gyn department has 2,416 square feet that will increase to 2,705 square feet; and finally, the blood drawing station has 328 square feet that will increase to 345 square feet. The total existing clinic area will increase from 11,466 square feet to 14,930 square feet. Ramps, corridors, and a utility room will add an additional 1,620 square feet. Overall the square footage will increase to 16,550 square feet in the new modular space.

**Table 2** lists the number of clinic visits for selected clinics, reporting the actual number of visits for Fiscal Years 2000, 2001, and 2002, and the annualized number of visits for Fiscal Year 2003, and the number of projected visits for Fiscal Year 2004. The number of actual visits for the Medicine Clinic was 10,492, 12,686 and 15,449 for Fiscal Years 2000, 2001, and 2002, respectively. The number of actual visits for the Women and Children's Services clinics was 19,152, 18,835, and 17,139 for Fiscal Years 2000, 2001, and 2002, respectively. The number of annualized visits in Fiscal Year 2003 for the Medicine and Women's and Children's Services were 16,783 and 19,011, respectively. The projected number of visits for the Medicine and Women's and Children's Services for Fiscal Year 2004 is 16,783 and 21,011, respectively.

**Table 3** reports the capital expenditures for the new modular space that the Family Health Center will occupy at the McGivney Cancer Center. The cost for the design and construction of the Center is \$2,884,600. The combined cost for network and telephone system, blinds and cubical curtains, signage, keying and cylinders, and move costs is \$142,000 and removal of existing roof garden material, engineering fit out and system tie-ins adds an additional \$20,000. With a 10% contingency cost, the overall capital expenditure for the Center is \$3,350,600.

**Table 4** reports the capital expenditure for the renovations at the Orchard Medical Office Building. The costs are \$1,000,000 for construction, \$100,000 for design, \$30,000 for cabling and communications, and an additional 10% for contingency costs, for an overall total of \$1,243,000.

**Table 5** lists the current and projected payer mix for the Hospital's total facility; the percentages are the same for both. Medicare is 16%, Medicaid, including other medical assistance, is 69%, TriCare, also known as CHAMPUS, is 0.07%; the total for these government payers is 85.07%. Commercial Insurer category is 5%, self-pay is 8.5%, and worker's compensation is 1.43%. The total for non-government payers is 14.93%. The uncompensated care percentage is 0.00%. The total payer mix adds to 100%.