Office of Health Care Access
Certificate of Need Application

Final Decision

Applicants:	**MidState Medical Center** **Hartford Hospital**
Docket Number:	**07-30984-CON**
Project Title:	**Establish a Diagnostic Cardiac Catheterization Laboratory at MidState Medical Center**
Statutory Reference:	**Sections 19a-638, Connecticut General Statutes**
Filing Date:	**January 11, 2008**
Hearing Date:	**February 28, 2008**
Hearing Officer:	**Cristine A. Vogel, Commissioner**
Decision Date:	**April 2, 2008**
Default Date:	**April 10, 2008**
Staff:	**Alexis G. Fedorjaczenko** **Steven W. Lazarus**

Project Description: MidState Medical Center ("MidState") and Hartford Hospital ("HH") (together, "Applicants") propose to establish a diagnostic cardiac catheterization laboratory in Meriden, at an estimated total capital expenditure of $2,450,000.

Nature of Proceedings: On January 11, 2008, the Office of Health Care Access ("OHCA") received a Certificate of Need ("CON") application from MidState Medical Center ("MidState") and Hartford Hospital ("HH") (together, "Applicants") seeking authorization to establish a diagnostic cardiac catheterization laboratory in Meriden, at an estimated total capital expenditure of $2,450,000. The Applicants are a health care facility or institution as defined by Section 19a-630 of the Connecticut General Statutes ("C.G.S.").

Pursuant to Section 19a-638, C.G.S., a notice to the public concerning OHCA's receipt of the Applicants' Letter of Intent was published in *The Record Journal* on August 3, 2007.

Pursuant to Section 19a-638, C.G.S., three individuals or an individual representing an entity with five or more people had until February 1, 2008, the twenty-first calendar day following the filing of the Applicants' CON application, to request that OHCA hold a public hearing on the proposal. On January 31, 2008, OHCA received a request from the Hospital of Saint Raphael to hold a public hearing in this matter. On February 25, 2008 OHCA received a notice from the Hospital of Saint Raphael withdrawing its request for hearing previously filed in this matter.

Pursuant to Section 19a-638, C.G.S., a public hearing regarding the CON application was held on February 28, 2008. On February 5, 2008, the Applicants were notified of the date, time, and place of the hearing. On February 6, 2008, notice to the public announcing the hearing were published in *The Record Journal*. Commissioner Cristine A. Vogel served as Presiding Officer. The hearing was conducted as a contested case in accordance with the provisions of the Uniform Administrative Procedure Act (Chapter 54 of the Connecticut General Statutes) and Section 19a-638, C.G.S.

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

1. MidState Medical Center ("MidState") is an acute care general hospital located at 435 Lewis Avenue, Meriden, Connecticut. *(June 13, 2007, Letter of Intent)*

2. Hartford Hospital ("HH") is an acute care general hospital located at 80 Seymour Street, Hartford, Connecticut. HH is a full service cardiac provider including open heart surgery. *(June 13, 2007, Letter of Intent and January 11, 2008, Completeness Letter Responses)*

3. In 2005, HH and MidState, both members of Hartford Healthcare Corporation, created a single cardiology service line, coordinated through a multidisciplinary team comprised of clinical and administrative staff from both hospitals. *(February 28, 2008, Applicants' Public Hearing Testimony)*

4. MidState currently offers a comprehensive Cardiology Service Line including multiple ambulatory, surgical, and inpatient capabilities including the following:

    - Chest pain observation unit;
    - ACS Risk Stratification Program;

- 24-hour access to cardio-diagnostics;
- Vascular and neurology diagnostics;
- 64-slice CT Scanner;
- Nine (9) bed cardiac unit;
- Twenty-two (22) bed telemetry unit;
- Various outreach programs such as diabetes management, cardiac rehab, and community education; and
- Various vascular procedures including the implantation of pacemakers and ICD's. *(September 11, 2007, Initial CON Submission, page 2)*

5. Midstate and HH (together, "Applicants") propose the addition of one (1) diagnostic cardiac catheterization[1] ('DCC") laboratory at MidState. *(September 11, 2007, Initial CON Submission, page 2)*

6. HH is currently the primary provider of backup tertiary care for patients of MidState, and will provide cardiac backup for the proposed DCC laboratory. *(January 11, 2008, Completeness Response, page 1)*

7. According to the Applicants, cardiac catheterization volume is expected to increase nearly 40% from 2005-2010 due to the aging population, expanding indications, and technological advancements. *(September 11, 2007, Initial CON Submission, page 4)*

8. According to the study by the Health Care Advisory Board referenced by the Applicants, the nearly 40% increase in cardiac catheterization applies only to the "inpatient" population. *(September 11, 2007, Initial CON Submission, pages 4& 50)*

9. According to the Applicants, cardiac catheterizations have become a standard of care for community hospitals, with 67% of cardiac catheterizations being performed at hospitals with less than 200 beds. *(September 11, 2007, Initial CON Submission, page 4)*

10. The Applicants proposed primary service area ("PSA"), which accounts for approximately 87% of MidState's total volume, consists of the towns of Cheshire, Meriden, Southington, and Wallingford. *(September 11, 2007, Initial CON Submission, page 5)*

11. The Applicants indicated that MidState's secondary service area ("SSA") towns of Berlin, Durham, Middlefield, and Middletown are not included in projections. *(September 11, 2007, Initial CON Submission, page 5)*

[1] Cardiac catheterization involves passing a catheter (a thin flexible tube) into the right or left side of the heart. In general, this procedure is performed to obtain diagnostic information about the heart or its blood vessels or to provide treatment in certain types of heart conditions. (Source: Medlineplus.gov)

12. The following table summarizes cardiology procedures that were performed at HH and originated from MidState:

Table 1: MidState Historical Volume at HH

Fiscal Year	Diagnostic Caths	Interventional Caths	Cardiovascular Surgery
2004	189	143	39
2005	244	164	38
2006	322	202	63
2007	330	214	67
% Change 2004-2007	74%	50%	73%

Note: Patients "originating" at MidState include patients that were either transferred directly from MidState or referred by a physician on MidState's medical staff.
(September 11, 2007, Initial CON Submission, page 3, January 11, 2008, Completeness Response, page 2, and February 22, 2008, Response to Interrogatories, page 55)

13. The following table shows the number of DCCs, at all hospitals, originating from each of MidState's PSA towns:

Table 2: Total DCCs Originating from PSA

Patient Town of Origin	Type	2001	2002	2003	2004	2005	2006	2007*
Cheshire	IP	31	40	45	44	42	29	31
	OP	37	84	61	82	74	89	81
Meriden	IP	111	137	106	102	114	99	94
	OP	132	162	137	155	183	149	142
Southington	IP	70	92	91	82	57	56	72
	OP	113	220	201	211	196	199	87
Wallingford	IP	78	99	69	83	65	64	75
	OP	73	120	108	110	114	119	87
Total PSA	**IP**	**290**	**368**	**311**	**311**	**278**	**248**	**273**
	OP	**355**	**586**	**507**	**558**	**567**	**566**	**547**

**Annualized based on Oct 2006 – April 2007.*
(September 11, 2007, Completeness Letter Responses, page 4)

14. HH derives additional volume from MidState's service area that is not directly attributable to MidState. In FY 2007, HH performed 380 DCCs for patients from MidState's service area, of whom 330 were referred by MidState or physicians on MidState's medical staff. (*February 22, 2008, Response to Interrogatories, page 55)*

15. Dr. Kiernan testified that during FY 2007, the cardiac catheterization volume at HH was 3,640. This included 1,240 Interventional Cardiac Catheterizations and 3,400 DCC. *(February 28, 2008, hearing Testimony of Francis Kiernan, M.D.)*

16. The following table shows the percentage of DCCs originating from each of MidState's PSA towns that were performed at HH in FY 2006:

Table 3: DCCs at HH

Patient Town of Origin	Type	2006 Total	HH	HH Market Share
Cheshire	IP	29	9	31%
	OP	89	16	18%
Meriden	IP	99	67	68%
	OP	149	90	60%
Southington	IP	56	9	16%
	OP	199	21	11%
Wallingford	IP	64	32	50%
	OP	119	66	55%
Total PSA	**IP**	**248**	**117**	**47%**
	OP	**566**	**193**	**34%**
	Total	**804**	**310**	**39%**

(September 11, 2007, Initial CON Submission, page 4)

17. Eight hospitals accounted for the remaining 61% of procedures originating from MidState's PSA towns that were not performed at HH. *(January 11, 2008, Completeness Response, page 3 and Attachment IV)*

18. State of Connecticut's historical inpatient and outpatient cardiac catheterization volume is as follows:

Table 4: Connecticut's Historical Cardiac Catheterization Volume

	FY 2005	FY 2006	FY 2007
Inpatient Cardiac Catheterization	5,906	5,465	5,044
Outpatient Cardiac Catheterization	10,382	9,853	N/A

Note: FY 2007 Data not available at the time of this decision.
(Connecticut's Office of Health Care Access'2005 & 2006 Annual Reporting, Supplemental Schedule 500)

19. MidState's projected DCC volume for Years 1 through 3 is presented in the following table

Table 5: Projected Volume for Years 1-3

	Year 1	Year 2	Year 3
IP Cases	78	78	77
OP Cases	183	199	217
Total	**261**	**277**	**294**

Note: The Applicants indicated that volume projections for this proposal are based solely on volume trends from the proposed PSA.
(September 11, 2007, Initial CON Submission, page 5)

20. The Applicants based the volume projections on the following factors:

- 75% of DCCs currently performed at HH that originate from MidState will be appropriate candidates for MidState's DCC laboratory, based on patient preference, risk stratification of patients and, for each patient, an assessment of the likelihood that the patient will need an interventional procedure; and
- Historical volume trends within the PSA for 2001-2007, estimates that inpatient volume will decrease 1% annually and outpatient volume will increase 9% annually.

(September 11, 2007, Initial CON Submission, pages 4-5, January 11, 2008, Completeness Response, pages 3-4 and February 22, 2008, Response to Interrogatories, page 56)

21. The average annual change in DCC's originating from MidState's PSA based on the Applicants actual historical volume trend reported for years 2002-2007, was as follows: inpatient volume -25.9% outpatient volume -6.7%. *(January 11, 2008, Completeness Response, page 4)*

22. Lucille Janatka, President and Chief Executive Office of MidState, testified to the following:

    a. that "[m]ost importantly, the proposed project is based upon patient preference and fits squarely within MidState's strategic commitment to patient access to quality cardiology services."
    b. The "total number of diagnostic cardiac catheterizations performed in the State of Connecticut decreased FY 06-07 by 7.2%."
    c. It is worth noting that "comparable hospitals of our size with our scope of services typically offer diagnostic cardiac catheterization on site." These hospitals include St. Vincent's Medical Center, Waterbury Hospital, Greenwich Hospital, Norwalk Hospital, Lawrence and Memorial Hospital, Middlesex Hospital, John Dempsey Hospital and Rockville General Hospital.

    (February 25, 2008, Prefile Testimony of Lucille Janatka and February 28, 2008, hearing Testimony of Lucille Janatka)

23. Dr. Francis Kiernan testified on behalf of the Applicants that a general decline in the cardiac catheterization is being experienced across the country and contributed it to several factors including advances in medical therapies and introduction of drug-eluting stents[2] in the year 2003, which has decreased the need for certain repeat procedures. *(February 28, 2008, hearing Testimony of Francis Kiernan, M.D.)*

24. The Applicants testified at the public hearing that this proposal will be a "shift" of existing volume from HH to MidState.
    (February 28, 2008, Public Hearing Testimony of Lucille Janatka)

[2] Sometimes referred to as a "coated" or "medicated" stent, a drug-eluting stent is a normal metal stent that has been coated with a pharmacologic agent (drug) that is known to interfere with the process of restenosis (reblocking). (Source: Angioplasty.Org)

25. The Applicants do not expect a negative volume impact to other providers of DCC services based on this proposal, as MidState has projected volume and associated revenues for this project based on existing DCC volume that originates from MidState and is currently performed by a MidState cardiologist at HH. *(February 22, 2008, Response to Interrogatories, page 56)*

26. The proposed DCC laboratory will initially operate every Tuesday and Thursday morning, with future hours of operation based on volume demand. *(September 11, 2007, Initial CON Submission, page 6)*

27. MidState will comply with all American College of Cardiology Standards that are applicable to DCC laboratories, specifically including: design/operational space standards; environment of care; quality assurance; and patient outcomes. *(September 11, 2007, Initial CON Submission, page 9)*

28. The Applicants propose to hire dedicated staff for this proposal, who will be trained in the HH cardiac catheterization laboratory and at MidState for policies, procedures, and equipment specific to this campus. *(February 22, 2008, Response to Interrogatories, page 57)*

Financial Feasibility and Cost Effectiveness of the Proposal and its Impact on the Applicants' 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

29. The estimated total capital expenditure of the CON proposal is $2,450,000. The capital expenditures are itemized as follows:

Table 6: Total Capital Expenditure

Medical Equipment (Purchase)	$150,000
Non-Medical Equipment (Purchase)	$1,300,000
Construction/Renovation	$750,000
Miscellaneous & Contingency	$250,000
Total Capital Expenditure	**$2,450,000**

(September 11, 2007, Initial CON Submission, page 16)

30. The proposed project will utilize approximately 1,200 square feet within the existing peri-operative suite, and the Applicants state that the proposed construction will have no adverse impact on the delivery of patient care. *(September 11, 2007, Initial CON Submission, pages 17- 18)*

31. The project will be financed through the Applicants' equity from operating funds. *(September 11, 2007, Initial CON Submission, page 18-19)*

24. MidState's projected incremental revenue from operations, total operating expense, and gain from operations associated with the CON proposal are as follows:

Table 7: Financial Projections Incremental to the Project

Description	FY 2008	FY 2009	FY 2010
Incremental Revenue from Operations	$1,176,210	$1,270,455	$1,377,553
Incremental Total Operating Expense	$945,750	$1,229,750	$1,260,318
Incremental Gain from Operations	**$230,460**	**$40,705**	**$117,235**

(September 11, 2007, Initial CON Submission, page 227)

25. The Total Health System's projected incremental revenue from operations, total operating expense, and loss from operations associated with the CON proposal are as follows:

Table 8: Financial Projections Incremental to the Project

Description	FY 2008	FY 2009	FY 2010
Incremental Revenue from Operations	($642,998)	($548,743)	($441,645)
Incremental Total Operating Expense	$749,681	$1,078,681	$1,109,249
Incremental Loss from Operations	**($1,437,669)**	**($1,627,424)**	**($1,550,894)**

(February 22, 2008, Response to Interrogatories, page 69)

26. There is no State Health Plan in existence at this time. *(September 11, 2007, Initial CON Submission, page 2)*

27. The Applicants have adduced evidence that the proposal is consistent with their long-range plan. *(September 11, 2007, Initial CON Submission, page 2)*

28. The Applicants have improved productivity and contained costs through energy conservation, reengineering, and group purchasing. *(September 11, 2007, Initial CON Submission, page 12)*

29. MidState's three year projected payer mix for the Total Facility based on Net Patient Revenue, is as follows:

Table 9: Current and Three-Year Projected Payer Mix for the Total Facility with CON Proposal

Payer Mix	Current	Year 1	Year 2	Year 3
Medicare	37.7%	37.8%	38.2%	38.7%
Medicaid	6.7%	6.0%	5.8%	5.6%
Champus and TriCare	0.0%	0.0%	0.0%	0.0%
Total Government	**44.4%**	**43.8%**	**44.0%**	**44.3%**
Commercial Insurers	50.4%	50.8%	50.6%	50.2%
Uninsured	5.2%	5.4%	5.4%	5.5%
Workers Compensation	0.0%	0.0%	0.0%	0.0%
Total Non-Government	**55.6%**	**56.2%**	**56.0%**	**55.7%**
Total Payer Mix	**100%**	**100%**	**100%**	**100%**

(September 11, 2007, Initial CON Submission, page 20)

29. MidState's three year projected payer mix for the proposed DCC service based on Net Patient Revenue, is as follows:

Table 10: Three-Year Projected Payer Mix for the CON Proposal

Payer Mix	Year 1	Year 2	Year 3
Medicare	47.70%	46.94%	46.48%
Medicaid	4.57%	4.49%	4.39%
Champus and TriCare	0.00%	0.00%	0.00%
Total Government	**52.27%**	**51.43%**	**50.86%**
Commercial Insurers	46.38%	47.26%	47.86%
Uninsured	1.35%	1.32%	1.27%
Workers Compensation	0%	0%	0%
Total Non-Government	**47.73%**	**48.57%**	**49.14%**
Total Payer Mix	**100%**	**100%**	**100%**

*Note: * The Applicants project Gross Revenue from the Uninsured population of $43,100 in year 1, $45,256 in Year 2, and $47,521 in Year 3 but is writing the total amount off as charity care and bad debt, resulting in 0% based on Net Revenue.*
(September 11, 2007, Initial CON Submission, pages 234-236)

30. There are no characteristics of the Applicants' current patient/physician mix that make the proposal unique. *(September 11, 2007, Initial CON Submission, page 14)*

30. The proposal will not result in any change to the Applicants' teaching or research responsibilities. *(September 11, 2007, Initial CON Submission, page 13)*

31. The Applicants appear to possess sufficient technical, financial and managerial competence and expertise to provide efficient and adequate service to the public. *(September 11, 2007, Initial CON Submission, pages 9-11 and February 22, 2008, Response to Interrogatories, exhibit IV)*

Rationale

The Office of Health Care Access ("OHCA") approaches community and regional need for the proposed service on a case by case basis. Certificate of Need ("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 proposed services.

MidState Medical Center ("MidState") and Hartford Hospital ("HH") are acute care general hospitals located in Meriden and Hartford, Connecticut, respectively. Both are members of Hartford Healthcare Corporation. HH and MidState (together referred to as "Applicants") propose the establishment of one (1) diagnostic cardiac catheterization ('DCC") laboratory at MidState. The Applicants currently have a single cardiology service line, coordinated through a multidisciplinary team comprised of clinical and administrative staff from both hospitals. MidState's patients currently requiring DCC are receiving their services at HH, an acute care hospital with an experienced full service cardiac program.

The Applicants based the need for the proposed DCC laboratory at MidState on historical volume growth among the target population and on providing the "standard of care for community hospitals" currently provided at similarly sized hospitals in the State of Connecticut. According to OHCA data, the total number of diagnostic cardiac catheterization performed in the State of Connecticut has been declining for inpatient and outpatient procedures. The Applicants claimed that MidState's historical inpatient volume between the years of 2001 and 2007 decreased 1% annually and outpatient volume increased 9% annually. However, this same data demonstrates that for the past five years inpatient volume has been trending downward and outpatient volume has not shown growth in the primary service area overall. Dr. Francis Kiernan stated that a general decline in the cardiac catheterization is being experienced across the country and contributed it to several factors including advances in medical therapies and introduction of drug eluting stents in the year 2003, which has decreased the need for certain repeat procedures.

Lucille Janatka testified also that "[m]ost importantly, the proposed project is based upon patient preference and fits squarely within MidState's strategic commitment to patient access to quality cardiology services." Further, the Applicants conceded in the public hearing that this proposal will merely "shift" the volume from HH to MidState. Based on the foregoing reasons, OHCA finds that the Applicants failed to support the need for the proposed service and that the patients currently have adequate access to quality health care services.

Since OHCA cannot conclude definitively that need exists for the proposed DCC proposal, OHCA is unable to evaluate the financial feasibility of the proposal.

Based upon the foregoing Findings and Rationale, the Certificate of Need application of MidState Medical Center and Hartford Hospital for the establishment of a diagnostic cardiac catheterization laboratory in Meriden, at an estimated total capital expenditure of $2,450,000, is hereby **DENIED**.

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 Vogel on April 2, 2008

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Date Cristine A. Vogel
Commissioner