Office of Health Care Access
Certificate of Need Application

Agreed Settlement

Applicants: Connecticut Children's Medical Center
Saint Mary's Hospital Corporation
Waterbury Hospital

Docket Number: 07-31003-CON

Project Title: Termination of Inpatient Pediatric Services at Saint Mary's Hospital and Waterbury Hospital and the Establishment and Operation of New Inpatient Pediatric Services at Saint Mary's Hospital by Connecticut Children's Medical Center

Statutory Reference: Section 19a-638, C.G.S.

Filing Date: January 23, 2008

Hearing Date: February 20, 2008

Presiding Officer: Cristine A. Vogel, Commissioner

Decision Date: May 1, 2008

Default Date: May 22, 2008 (30-day extension)

Project Description: Saint Mary's Hospital ("SMH") and Waterbury Hospital ("WH") propose to terminate inpatient pediatric services and Connecticut Children's Medical Center ("CCMC") proposes to establish, own, and operate inpatient pediatric services at Saint Mary's Hospital as a satellite facility at an estimated total capital expenditure of $600,079.

Nature of Proceedings: On January 23, 2008, the Office of Health Care Access ("OHCA") received a Certificate of Need ("CON") application from Saint Mary's Hospital ("SMH") and Waterbury Hospital ("WH"), proposing to terminate inpatient

pediatric services, and Connecticut Children's Medical Center ("CCMC"), proposing to establish, own, and operate inpatient pediatric services at Saint Mary's Hospital as a satellite facility, at an estimated total capital expenditure of $600,079. CCMC, SMH and WH are health care facilities or institutions as defined by Section 19a-630, of the Connecticut General Statutes ("C.G.S.").

Pursuant to Section 19a-638, C.G.S., a public hearing regarding the CON application was held on February 20, 2008. On February 5, 2008, the Applicants were notified of the date, time, and place of the hearing. On February 2, 2008, a notice to the public announcing the hearing was published in *The Waterbury Republican-American*. 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. Connecticut Children's Medical Center ("CCMC") is a freestanding children's hospital located at 282 Washington Street in Hartford, Connecticut. It is licensed at 103 beds and 32 bassinets. *(July 13, 2007, Letter of Intent, page 19)*

2. Saint Mary's Hospital ("SMH") is a general hospital located at 56 Franklin Street, Waterbury. It is licensed at 347 beds and 32 bassinets. *(July 13, 2007, Letter of Intent, page 17)*

3. Waterbury Hospital ("WH") is a general hospital located at 64 Robbins Street, Waterbury. It is licensed at 357 beds and 36 bassinets. *(July 13, 2007, Letter of Intent, page 18)*

4. SMH and WH propose to terminate their inpatient pediatric services. CCMC proposes to establish, own, and operate new inpatient pediatric services within SMH. *(December 13, 2007, Initial CON Submission, page 2)*

5. CCMC will seek to have an additional satellite inpatient location, with 12 additional licensed medical/surgical beds, added to its existing Children's Hospital license issued by the State of Connecticut Department of Public Health. *(December 13, 2007, Initial CON Submission, pages 8 and 10)*

6. The following towns are within the service area of SMH and WH and account for over 90% of the pediatric admissions of the two hospitals in FY 2005, 2006, and 2007:

Table 1: Towns within the Service Areas for SMH and WH

Beacon Falls	Bethlehem	Cheshire	Middlebury	Morris
Naugatuck	Prospect	Southbury	Thomaston	Waterbury
	Watertown	Woodbury	Wolcott	

(December 13, 2007, Initial CON Submission, page 2)

7. The population to be served includes the 56,746 children between birth and 18 years of age in the service area towns based upon the 2000 census; 24,252 of them reside in the city of Waterbury. *(December 13, 2007, Initial CON Submission, page 3)*

8. SMH currently staffs 209 of its 347 licensed beds, 12 are in the pediatric unit. WH currently staffs 265 of its 357 licensed beds, 10 are in the pediatric unit. *(December 13, 2007, Initial CON Submission, page 4)*

9. According to the Applicants, all pediatric inpatients will be admitted to the CCMC inpatient pediatric unit located within SMH. SMH and WH will no longer have pediatric inpatients as part of their patient volumes. The pediatric providers and support staff will be part of CCMC. CCMC pediatric medical and surgical specialists will be available for consultations as needed. *(December 13, 2007, Initial CON Submission, page 4)*

10. The following table reports the respective hospital's market share percentage for each town within the service area:

Table 2: Market Share Analysis by Town and Hospital

	Market Share Percentage by Hospital					
Town	**CCMC**	**SMH**	**WH**	**Yale-NH**	**Others**	**Town Total**
Beacon Falls	0.5%	13.0%	17.7%	11.1%	42.2%	100%
Bethlehem	0.0%	15.5%	56.0%	2.9%	74.4%	100%
Cheshire	0.8%	10.8%	6.8%	23.9%	42.4%	100%
Middlebury	0.7%	20.9%	53.9%	7.1%	82.7%	100%
Morris	0.2%	9.4%	24.5%	4.5%	38.5%	100%
Naugatuck	0.7%	33.5%	40.5%	6.1%	80.8%	100%
Prospect	1.3%	40.4%	34.8%	8.4%	84.9%	100%
Southbury	0.3%	8.0%	35.2%	4.5%	48.0%	100%
Thomaston	1.0%	16.9%	47.1%	3.7%	68.8%	100%
Waterbury	0.7%	45.5%	42.3%	3.8%	92.3%	100%
Watertown	0.9%	21.3%	62.8%	4.0%	89.0%	100%
Woodbury	1.1%	45.0%	29.8%	3.6%	79.5%	100%
Wolcott	0.6%	12.8%	47.6%	6.0%	66.9%	100%

Source: OHCA Hospital Inpatient Discharge Database FY 2007.

11. The units of service for the past three fiscal years by service area town for each hospital for children ages 0 to 18, excluding newborns, are reported in the following three tables:

Table 3a: Service Utilization by Fiscal Year for CCMC

	Fiscal Year			
Town	**2004**	**2005**	**2006**	**2007***
Beacon Falls	2	5	1	2
Bethlehem	2	0	0	4
Cheshire	16	21	18	17
Middlebury	5	4	7	2
Morris	0	0	0	1
Naugatuck	28	31	17	30
Prospect	7	6	17	16
Southbury	5	6	10	5
Thomaston	9	8	9	6
Waterbury	108	119	96	126
Watertown	29	24	16	32
Woodbury	10	5	5	6
Wolcott	31	27	16	14
Total for Service Area	**252**	**256**	**212**	**261**

* First ten months of FY. Source: CHIME Inpatient Discharges for patients ages 0 to 18 (excludes newborns).

(December 13, 2007, Initial CON Submission, page 40)

Table 3b: Service Utilization by Fiscal Year for SMH

	Fiscal Year			
Town	**2004**	**2005**	**2006**	**2007***
Beacon Falls	3	6	3	1
Bethlehem	1	2	1	1
Cheshire	5	6	4	10
Middlebury	11	11	8	8
Morris	1	3	0	0
Naugatuck	59	47	56	65
Prospect	23	13	6	22
Southbury	5	3	5	5
Thomaston	6	3	10	4
Waterbury	519	511	503	511
Watertown	30	28	21	35
Woodbury	8	7	4	11
Wolcott	20	24	21	36
Total for Service Area	**691**	**664**	**642**	**709**
Other Towns	33	53	48	-
Grand Total	**724**	**717**	**690**	**-**

* First ten months of FY. Source: CHIME Inpatient Discharges for patients ages 0 to 18 (excludes newborns).

(December 13, 2007, Initial CON Submission, page 40)

Table 3c: Service Utilization by Fiscal Year for WH

	Fiscal Year			
Town	**2004**	**2005**	**2006**	**2007**
Beacon Falls	4	2	3	4
Bethlehem	5	5	3	1
Cheshire	4	2	2	2
Middlebury	14	5	13	11
Morris	1	2	1	0
Naugatuck	64	62	42	42
Prospect	6	13	6	6
Southbury	12	4	8	6
Thomaston	15	24	9	10
Waterbury	284	265	237	226
Watertown	49	51	33	38
Woodbury	12	13	14	12
Wolcott	16	18	21	20
Total for Service Area	**486**	**466**	**392**	**378**
Other Towns	53	32	28	-
Grand Total	**539**	**498**	**420**	**-**

* First ten months of FY. Source: CHIME Inpatient Discharges for patients ages 0 to 18 (excludes newborns).

(December 13, 2007, Initial CON Submission, page 40)

12. The following table reports the number of children under age 18, excluding newborns, who were treated at the SMH emergency department ("ED") or the WH ED:

Table 4: Number of Children Treated in SMH ED and WH ED

Facility	**Category**	**FY 2005**	**FY 2006**	**FY 2007**
Saint Mary's Hospital	Treated and Discharged	15,098	15,881	15,855
	Treated and Admitted	586	554	575
	Total	15,684	16,435	16,430
Waterbury Hospital	Treated and Discharged	10,225	9,685	9,157
	Treated and Admitted	348	384	385
	Total	10,573	10,069	9,542

Source: ChimeData ED Data, FY 2005 to FY 2007

13. The following table reports the bed occupancy of the pediatric units at SMH and WH by bed days:

Table 5: Bed Occupancy by Hospital and Fiscal Year

	SMH			WH		
	Fiscal Year			Fiscal Year		
	2005	2006	2007*	2005	2006	2007*
Number of Pediatric Beds	12	12	12	10	10	10
Maximum Number of Bed Days per Year	4,380	4,380	4,380	3,650	3,650	3,650
Pediatric Discharges	717	690	741	498	420	491
Average Length of Stay	2	2	2	2	2	2
Number of Pediatric Bed Days	1,434	1,380	1,482	996	840	982
Bed Occupancy, %^	32.7%	31.5%	33.8%	27.3%	23.0%	26.9%

***** Source of FY 2007 pediatric discharges: OHCA Hospital Inpatient Discharge Database.
^ (Pediatric bed days/Maximum number of bed days per year) * 100.
(January 23, 2008, Completeness Submission, page 2)

14. The following table reports the number of projected admissions at the proposed CCMC pediatric inpatient unit, and the projected number of total inpatient days:

Table 6: Projected Volume

	FY 2008 *	FY 2009	FY 2010
Admissions	276	1,100	1,133
Total Inpatient Days	550	2,200	2,266

*Last quarter of 2008 only.
Note: These calculations are based upon a moving average of total pediatric inpatient admissions at WH and SMH for FY 2005 to FY 2007. CCMC is projecting 3% growth in FY 2010. The projected average length of stay is 2.0 days, the weighted average current length of stay for WH and SMH.
(December 13, 2007, Initial CON Submission, page 4)

15. CCMC is proposing a 12-bed unit, based on the following factors:
    - 1,100 pediatric admissions with an average length of stay of 2.0 days;
    - An average daily census for SMH and WH of 6.03 patients;
    - An estimated peak of 10.6 patients and a low 4.5 patients; and
    - Seasonal variations and additional bed flexibility for patients who stay less than 24 hours and are not reported in the daily census.

    (January 23, 2008, Completeness Submission, pages 1 and 2)

16. CCMC currently meets the guidelines of the American Academy of Pediatrics Committee on Hospital Care for facilities and equipment and for staffing patterns for patient care and support personnel at its main campus in Hartford. CCMC plans to meet these guidelines at the new satellite unit in Waterbury. *(December 13, 2007, Initial CON Submission, page 4)*

17. The Memorandum of Understanding concerning pediatric care in the Waterbury area has the following provisions:
    - CCMC will create a single community-wide pediatric program;
    - CCMC will own, operate and supervise an inpatient pediatric medical/surgical services unit located on the campus of SMH;
    - CCMC shall contract for space, equipment and support services from SMH as needed;
    - Initial contract is for five years, with automatic five year renewals;
    - Termination of contract requires 12 months notification;
    - SMH and WH Emergency Departments will continue to treat children;
    - SMH and WH will continue to provide children's outpatient services; CCMC will provide clinical leadership and enhanced training opportunities for clinical staff at both SMH and WH; and
    - CCMC shall provide all services and operate its program in accordance with the Ethical and Religious Directives for Catholic Health Care Services.

    (December 27, 2007, Memorandum of Understanding dated December 19, 2007)

18. Patients will be admitted to the new pediatric inpatient unit either by their community physician or from transfer from the SMH's ED or WH's ED. *(March 19, 2008, Response to Additional Late File Request, page 2)*

19. For pediatric patients who have received a disposition from WH that an inpatient admission is required, transportation to the admitting hospital will be by ambulance. No transportation will be provided by parents or guardians. *(March 19, 2008, Additional Late File Request Response, page 2)*

20. The attending physician at the referring hospital is responsible for "medical control" until the patient arrives at the receiving hospital. The ambulance company will be the responsible party until care is transferred to the staff of the receiving hospital. *(March 19, 2008, Additional Late File Request Response, page 2)*

21. In FY 2006, WH had 420 pediatric inpatients, of whom 340 (81%) were admitted through its ED. It is estimated that 324 will be the approximate number of patients that may be transported to SMH for admission to the CCMC pediatric inpatient unit. *(March 19, 2008, Additional Late File Request Response, page 3)*

22. The majority of patients at the CCMC pediatric inpatient unit will be admitted by physicians from the Waterbury community who elect to have CCMC privileges. CCMC medical staff will oversee the care provided at the proposed pediatric inpatient unit to assist the physicians of record in day-to-day care of those patients. CCMC medical staff will include a full time medical director and mid-level practitioners, a combination of APRNs and physician assistants who will work under the direct supervision of that physician. Specialists on the CCMC medical staff, members of the CCMC Faculty Practice Plan or other CCMC-associated practices will be available on a consultative basis, at the request of the attending physician. If a patient requires ongoing specialty care they will likely be initially

admitted to CCMC in Hartford or will be transferred to that facility. *(January 23, 2008, Completeness Submission, page 2 and February 20, 2008, Hearing Testimony of Leonard Banco)*

23. The proposal will enhance the ability to recruit and retain pediatric staff through the integration with the staff of a children's hospital. CCMC has infrastructure for the education and training of pediatric healthcare professionals, including nursing and medical professional and post-graduate education programs that will support the consolidated department in Waterbury. This proposal will provide increased opportunities for recruitment of staff with pediatric skills and maintenance of their competency, and will allow pediatric staff to rotate between secondary and tertiary environments of care to enhance clinical education and maintenance of skills. *(December 13, 2007, Initial CON Submission, pages 4, 8, &17 and February 20, 2008, Hearing Testimony of Robert Ritz)*

24. Surgeons are less likely to have privileges at both hospitals, rather admitting to one or the other most of the time. Surgical patients below the age of 18, mostly ortho-pedic or general surgery patients, comprise a small percentage of patients admitted to the pediatric inpatient units. *(December 13, 2007, Initial CON Submission, page 9)*

25. The following conditions are frequently the reasons for pediatric inpatient admissions to SMH and WH:
    - Appendectomy;
    - Bronchitis, asthma, pneumonia, or pleurisy;
    - Cellulitis;
    - Concussion;
    - Diabetes;
    - Digestive disorders;
    - Kidney and urinary tract infections; and
    - Nutritional and miscellaneous metabolic disorders.

    Source: OHCA Hospital Inpatient Discharge Database 2005 to 2007.

26. With respect to CCMC, most referrals from the proposal's service area have been made by community pediatricians or family practitioners to pediatric medical and surgical sub-specialists who then admit them to CCMC. Additionally, a smaller number of admissions have been the result of inter-hospital transfers made by WH and SMH to CCMC. *(December 13, 2007, Initial CON Submission, page 9)*

27. The transfer policy concerning patients that require admission from the WH ED to the CCMC pediatric inpatient unit at SMH or another in-patient facility includes the following provisions:
    - The ED physician at WH will contact the accepting inpatient physician and arrange a bed transfer upon agreement that the patient's condition is appropriate for the level of care;
    - WH ED nursing staff communicate the nursing report to the receiving inpatient nursing staff;
    - Standard transfer documents and copies of patient care documentation and diagnostic studies are sent with the patient or faxed to the inpatient unit;

- Arrangements are made by the WH ED for appropriate levels of ambulance transport services;
- WH ED will serve as medical control during the transfer;
- Patients will be brought directly to the CCMC unit via the SMH ED entrance;
- The patient's caregiver or family will be informed of transfer arrangements and if permissible may accompany patient in the ambulance.

(March 19, 2008, Additional Late File Request Response, Attachment 3)

28. Follow-up outpatient care for patients discharged from the CCMC pediatric inpatient unit will be arranged by the patient's attending physician of record or designee. *(January 23, 2008, Completeness Response, page 5)*

29. As part of the transfer and admission process from WH's ED, SMH's ED and private physicians' offices, all patients will be informed about the new CCMC pediatric inpatient unit. The general public will be informed about the unit through a communications plan including press releases, paid advertisements, the public web sites of all three hospitals, and external signage at the hospitals. *(March 19, 2008, Additional Late File Request Response, Attachment 1)*

30. The draft communications plan indicates that press releases and paid advertisements to the general public will communicate that the CCMC pediatric inpatient unit at SMH will provide services in accordance with the Ethical and Religious Directives for Catholic Health Care Services, and that patients who prefer to be treated in a non-denominational environment will be transferred to CCMC in Hartford or another facility as directed by their attending physician. *(March 19, 2008, Additional Late File Request Response, Attachment 1)*

31. CCMC and SMH will have a Master Service Agreement where, on an exclusive basis, all of CCMC's needs for services shall be provided by SMH. SMH will provide the following services to the CCMC pediatric inpatient unit:
    - Perioperative;
    - Imaging;
    - Diagnostic Laboratory;
    - Pharmacy;
    - Pulmonary and Respiratory Therapies;
    - Supplies, any and all without limitation; and
    - Rehabilitative.

    (March 19, 2008, Late File 1)

32. The lease between SMH and CCMC has a five year term with two successive renewal options of five years each. The lease includes, but is not limited to, the following services:
    - Maintenance and repair;
    - Security;
    - Laundry and housekeeping;
    - Telecommunications; and
    - Occupational and Social.

    (March 19, 2008, Late File 1)

33. The following table summarizes the changes in staffed, licensed, and pediatric inpatient beds for each of the three hospitals:

Table 7: Summary of Changes to Staffed, Licensed, and Pediatric Patient Beds

Hospital	Bed Description	Existing Licensed/ Staffed	Proposed Increase or (Decrease)	Proposed Licensed/ Staffed
CCMC	Total	135/127	12	147/139
	Pediatric Medical/Surgical	103/92	12	115/104
SMH	Total	347/209	3 staffed adult	347/200
	Pediatric Medical/Surgical	12	(12)*	0/0
WH	Total	357/246	0	357/246
	Pediatric Medical/Surgical	10	(10)**	0/0

*Existing 12-bed unit will become the new CCMC owned and operated pediatric unit; SMH will add 3 staffed adult medical/surgical beds.

**Existing 10-bed unit will be used for adult medical/surgical beds.

(December 13, 2007, Initial CON Submission, page 10 and January 23, 2008, Completeness Response, page 3)

34. Martin Gavin, President, CCMC, testified at the hearing that:
    - The strategic mission of CCMC since its inception in 1996 has been to bring the highest level of pediatric care to as many children as possible;
    - Two years ago local pediatricians approached SMH and WH to consider the consolidation of the two inpatient pediatric units into a single unit;
    - For the past two years leaders from CCMC and the two hospitals have met regularly to investigate the best means to deliver pediatric inpatient care; and
    - For children that come to Hartford and do not have insurance CCMC makes every attempt to enroll them in the HUSKY program.

    (February 20, 2008, Hearing Testimony of Martin Gavin)

35. Gerald Boisvert, the Chief Financial Office for CCMC, stated at the hearing, "If necessary, CCMC would absorb the cost of the ambulance ride from WH's ED to SMH to be admitted to the new satellite unit." *(February 20, 2008, Hearing Testimony Gerald Boisvert)*

36. Bob Ritz, President and CEO of SMH testified that:
    - The three organizations have considered how to improve the access and quality of inpatient pediatric services in the greater Waterbury community;
    - The proposal is unique as WH and SMH are looking for ways to consolidate services to eliminate costly overhead duplication to improve each hospital's the long-term financial outlook;
    - The proposal will provide opportunities for professionals to train and obtain clinical experiences; and
    - The proposal is responsive to the State of CT's request to look for ways to collaborate with WH.

    (February 20, 2008, Hearing Testimony of Bob Ritz)

37. John Tobin, CEO of WH, stated at the hearing that if the proposal were implemented and then terminated, SMH and WH would resume providing the services, perhaps by continuing the same unit under SMH rather than splitting it out to two units. *(February 20, 2008, Hearing Testimony of John Tobin)*

38. Sandra Roosa, SMH, testified that currently WH has more psychiatric services for children than SMH. SMH does receive children requiring psychiatric services in its ED. It is the hospitals' belief that parents will continue to utilize the ED at the hospital of their choice. *(February 20, 2008, Hearing Testimony of Sandra Roosa)*

39. Leonard Banco, MD, CCMC's consultant for the proposal, testified that:
    - The children currently being admitted to SMH and WH are the secondary level inpatients requiring treatment for conditions such as asthma, dehydration, and minor trauma;
    - Most of the patients requiring care by sub-specialists are no longer admitted to SMH or WH, but are generally cared for by CCMC or by Yale-New Haven Hospital. The referring physician and the admitting physician decide where a child needs to be admitted based on the level of expertise required or the severity of the condition and the care that the patient will need; and
    - The CARES[1] unit at CCMC will consider making the Waterbury area the site of its next location for a CARES model program to address the needs of children with psychiatric needs.

    (February 20, 2008, Hearing Testimony of Dr. Leonard Banco)

40. Steven Schneider, MD, testified for WH that Medicaid currently pays for ambulance transportation for patients. *(February 20, 2008, Hearing Testimony of Steven Schneider)*

[1] The CARES (Children and Adolescent Rapid Emergency Services) program is a short-term care unit located within Hartford Hospital's Institute of Living under collaboration with CCMC that provides care for children and adolescents who are in psychiatric crisis with intensive psychiatric assessment, stabilization, and case management in order to link the child to community services.

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

41. The total capital expenditure for the proposal, to be financed with CCMC's operating funds, is $600,079. The components of the capital expenditure are given in the following table:

Table 8: Major Cost Components/Total Capital Expenditure

Medical Equipment (Purchase)	$	$100,000
Non-Medical Equipment (Purchase)*		$100,079
Construction/Renovation		$400,000
Total Capital Expenditure	**$**	**$600,079**

* Includes items such as beds, cribs, carts, appliances, and other patient room furniture and equipment.
(December 13, 2007, Initial CON Submission, pages 12 and 14)

42. The renovation costs include the creation of more rooms with single beds, so that parents can room-in. The inpatient area will receive a complete finish renovation. The current floor, wall and ceiling materials at SMH are worn and dated, and require replacement. The proposed renovations will be undertaken primarily to create a pediatric-friendly environment that emulates the appearance of CCMC's main campus in Hartford and bring the facility up to CCMC infection control standards. *(December 13, 2007, Initial CON Submission, page 13)*

43. CCMC has set a target date of June 1, 2008 to obtain State of Connecticut Department of Public Health license and plans to begin operations in July 2008. *(December 13, 2007, Initial CON Submission, page 14)*

44. Financial stability will essentially be unchanged for SMH and WH. Both hospitals will no longer employ dedicated pediatric providers or support staff for their former inpatient pediatric units which will partially offset the loss of revenue. *(December 13, 2007, Initial CON Submission, pages 4 and 19)*

45. CCMC will be billing for the proposed services. CCMC will pay SMH for services provided under the Master Service Agreement. CCMC will add a new cost center, "Waterbury Med/Surg." *(December 13, 2007, Initial CON Submission, pages 10-11 and March 19, 2008, Late File 1)*

46. WH's cost center, "Pediatrics" #9100-00, will be terminated. SMH's cost centers, "Pediatrics" #3040 and "Sacred Heart 4" #3085 will be terminated. *(December 13, 2007, Initial CON Submission, pages 4 and 11)*

47. The incremental revenues, expenses, and gain or loss from operations projected for the next three years for each hospital are reported in the following three tables:

Table 9a: Projected Incremental Revenues, Expenses, and Gain from Operations for CCMC

Category	Account	FY 2008	FY 2009	FY 2010
Net Patient Revenue	Non-Government	$ 778,465	$3,431,772	$3,894,919
	Medicaid	678,975	2,715,900	2,797,377
Total Net Patient Revenue		**1,457,440**	**6,147,672**	**6,692,296**
Operating Expenses (variable)	Salaries	374,969	1,499,874	1,567,369
	Professional	125,000	500,000	522,500
	Supplies and Drugs	247,665	990,659	1,015,425
	Bad Debts	33,866	142,851	155,506
	Other Oper. Expenses	3,000	412,000	412,300
Operating Expenses (fixed)	Depreciation	30,000	60,000	60,000
	Interest	0	0	0
	Lease	358,750	1,435,000	1,435,000
Total Operating Expense		1,173,249	5,040,384	5,168,100
Gain from Operations		**$ 284,191**	**$1,107,288**	**$1,524,196**
FTEs		**5**	**20**	**20**
Inpatient Days		**550**	**2,200**	**2,266**

* Applicants expect that unmet demand will utilize the new CCMC pediatric inpatient unit and be similar to the growth rate at CCMC-Hartford.

(March 19, 2008, Late File 3, Exhibit 1)

Table 9b: Projected Incremental Revenues, Expenses, and Loss from Operations for SMH

Category	Account	FY 2008	FY 2009	FY 2010
Net Patient Revenue	Non-Government	$(312,000)	$(1,323,000)	$(1,146,000)
	Medicaid	(245,000)	(1,035,000)	(1,467,000)
Total Net Patient Revenue		**(557,000)**	**(2,358,000)**	**(2,612,000)**
Other Deductions		(242,000)	(926,000)	(1,036,000)
Other Operating Revenue		251,390	1,065,675	1,182,189
Revenue from Operations		**(63,610)**	**(366,325)**	**(393,811)**
Operating Expense (variable)	Salaries	(282,670)	(1,198,125)	(1,329,000)
	Supplies and Drugs	43,240	183,150	203,054
	Other Oper. Expenses	0	0	0
Operating Expense (fixed)	Depreciation	0	0	0
	Interest Expense	0	0	0
	Lease Expense	0	0	0
Total Operating Expense		**(239,430)**	**(1,014,975)**	**(1,125,946)**
Gain from Operations		**$ 233,640**	**$ 937,477**	**$ 732,135**
FTEs		**(4)**	**(16)**	**(16)**
Inpatient Discharges		**(163)**	**(650)**	**(700)**

(March 19, 2008, Late File 3, Exhibit 1)

Table 9c: Projected Incremental Revenues, Expenses, and Gain from Operations for WH

Category	Account	FY 2008	FY 2009	FY 2010
Net Patient Revenue*	Non-Government	$(122,535)	$ (505,687)	$ (521,231)
	Medicaid	(210,723)	(869,018)	(922,839)
Total Net Patient Revenue		**(333,258)**	**(1,374,705)**	**(1,444,070)**
Operating Expense (variable)	Salaries	(227,813)	(938,588)	(966,745)
	Professional	(100,000)	(400,000)	(400,000)
	Supplies and Drugs	(25,313)	(104,288)	(107,416)
	Other Oper. Expenses	-	-	-
Operating Expense (fixed)	Depreciation	-	-	-
	Interest	-	-	-
	Lease	-	-	-
Total Operating Expense		**(353,126)**	**(1,442,876)**	**(1,474,161)**
Gain from Operations		**$ 19,867**	**$ 68,170**	**$ 30,091**
FTEs		**(3)**	**(10)**	**(10)**
Inpatient Discharges		**(57)**	**(226)**	**(226)**

* Projections do not include the revenues and expenses for the additional 10 adult medical/surgical beds that will be staffed after the CCMC opens the pediatric inpatient unit at SMH; includes $7,000 for Emergency Department Revenues for each payer group in FY 2008 and $28,000 for each payer group in FY 2009 and 2010.

(March 19, 2008, Late File 3, Exhibit 1)

48. CCMC's projected payer mix for the current year and for the three projected years of the proposal, based on gross patient revenue, are reported in the following table:

Table 10: CCMC's Payer Mix

Payer	Payer Mix			
	FY 2007 Current	FY2008 Projected	FY 2009 Projected	FY 2010 Projected
Medicare	0.2%	0%	0%	0%
Medicaid* (includes other medical assistance and managed care)	41.4%	50%	50%	50%
CHAMPUS and TriCare	1.0%	0%	0%	0%
Commercial Insurers	55.8%	49%	49%	49%
Uninsured	1.6%	1%	1%	1%
Total Payer Mix	**100%**	**100%**	**100%**	**100%**

***** Includes managed care activity

(December 13, 2007, Initial CON Submission, pages 16 and 21-22)

49. The payer mixes for SMH and WH for the current year and for the total facility for the next three projected years are reported in the following tables:

Table 11a: SMH's Payer Mix

Payer	Payer Mix**			
	FY 2007 Current	**FY2008 Projected**	**FY 2009 Projected**	**FY 2010 Projected**
Medicare*	44.7%	45.0%	45.0%	45.0%
Medicaid* (includes other medical assistance)	14.2%	14.0%	14.0%	14.0%
CHAMPUS and TriCare	0.4%	0.4%	0.4%	0.4%
Commercial Insurers*	37.2%	37.0%	37.0%	37.0%
Uninsured	0.3%	0.3%	0.3%	0.3%
Workers Compensation	3.2%	3.3%	3.3%	3.3%
Total Payer Mix	**100%**	**100%**	**100%**	**100%**

***** Includes managed care activity.

** Based on Net Patient Revenue for the total facility due to the loss of gross revenue with the termination of pediatric inpatient services.

(December 13, 2007, Initial CON Submission, page 17)

Table 11b: WH's Payer Mix

Payer	Payer Mix**			
	FY 2007 Current	**FY2008 Projected**	**FY 2009 Projected**	**FY 2010 Projected**
Medicare*	43.0%	43.0%	43.0%	43.0%
Medicaid* (includes other medical assistance)	11.0%	11.0%	11.0%	11.0%
CHAMPUS and TriCare	0.0%	0.0%	0.0%	0.0%
Commercial Insurers*	41.0%	41.0%	41.0%	41.0%
Uninsured	1.0%	1.0%	1.0%	1.0%
Workers Compensation	4.0%	4.0%	4.0%	4.0%
Total Payer Mix	**100%**	**100%**	**100%**	**100%**

***** Includes managed care activity.

** Based on Net Patient Revenue for the total facility due to the loss of gross revenue with the termination of pediatric inpatient services.

(December 13, 2007, Initial CON Submission, page 16)

50. The following table reports the payer mix for the pediatric patients discharged from SMH and WH in 2007:

Table 12: Hospital Payer Mix for Pediatric Discharges in 2007

Payer	**SMH**	**WH**
Medicare	0%	0%
Medicaid	58.0%	46.5%
CHAMPUS and TriCare	0.3%	0.2%
Commercial Insurers	38.2%	50.0%
Self Pay	1.0%	3.3%
Other	2.5%	0%
Total Pediatric Discharges Payer Mix	**100%**	**100%**

Source: OHCA Hospital Inpatient Discharge Database 2007.

51. The proposal's rate for a semi-private room is $2,600. The average pediatric inpatient per diem reimbursement rates for each hospital are reported in the following table:

Table 13: Average Per Diem Rates for Pediatric Inpatient Services

Hospital	**Average Per Diem Rates for Pediatric Inpatient Services**	
	Government* ***(Medicare, Medicaid)***	***Non-government*** ***(Commercial, Self-pay, and Others)***
CCMC	$2,137	$2,963
SMH	$850	$1,725
WH	$820	$1,680

(December 13, 2007, Initial CON Submission, page 18 and January 23, 2008, Completeness Response, page 7)

52. There is no State Health Plan in existence at this time. *(December 10, 2007, Initial CON Submission, page 2)*

53. CCMC, SMH, and WH have adduced evidence that the proposal is consistent with their long-range plans. *(December 10, 2007, Initial CON Submission, page 2)*

54. CCMC, SMH, and WH have improved productivity and contained costs through energy conservation, the application of technology, group purchasing, and reengineering. SMH also implemented product standardization and pharmacy standardization, utilization and inventory control. *(December 10, 2007, Initial CON Submission, page 7)*

55. CCMC, SMH, and WH have no teaching or research responsibilities that would change as a result of the proposal. *(December 10, 2007, Initial CON Submission, page 8)*

56. CCMC's unique characteristic of its patient/physician mix is that it is the only freestanding hospital in the state devoted solely to the care of children. It has a full array of pediatric medical and surgical specialists, as well as nursing and ancillary support totally dedicated to the care of children. In addition, it has its own nursing and medical professional and post-graduate education programs that will support the new satellite unit. *(December 10, Initial CON Submission, page 8)*

57. CCMC has sufficient technical and managerial competence and expertise to provide efficient and adequate service to the public. *(December 10, 2007, Initial CON Submission, Attachment 4)*

58. CCMC's rates are sufficient to cover the proposed capital cost and operating costs. *(December 10, 2007, Initial CON Submission, page 13)*

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.

Connecticut Children's Medical Center ("CCMC") is a freestanding children's hospital located at 282 Washington Street in Hartford. Saint Mary's Hospital ("SMH") is a general hospital located at 56 Franklin Street, Waterbury. Waterbury Hospital ("WH") is a general hospital located at 64 Robbins Street, Waterbury. The three hospitals (together, referred to as "Applicants") have presented a plan to collaborate and design a more efficient delivery system for the care of inpatient pediatric patients in the Waterbury area. Although this proposal includes the termination of pediatric inpatient services by WH and SMH, it proposes a 12-bed inpatient pediatric unit that will be located at the SMH facility but owned and operated by CCMC.

The CCMC satellite located at SMH will emulate the look and feel of CCMC's main campus in Hartford. Patients will be admitted to the unit through the emergency departments ("ED") at SMH and WH, or by community physicians from the Waterbury area who elect to have CCMC privileges. A full time medical director and midlevel practitioners will oversee the day-to-day clinical care of patients on with unit, with CCMC physician specialists available for consultation as needed. The attending physician will coordinate follow-up outpatient care for patients discharged from the CCMC inpatient pediatric unit. In the event that a patient requires ongoing specialty care, they will most likely be admitted or transferred to CCMC's main campus in Hartford.

This proposal is the first collaborative venture of this type between CCMC and other providers. The proposal addresses the apparent excess capacity that exists at both SMH and WH while at the same time strengthening the clinical programs and staff competencies through the proposed consolidation of services. SMH currently has 12 pediatric beds, and WH currently has 10 pediatric beds. The pediatric inpatient units at both hospitals have been at approximately 50% capacity during the three most recent fiscal years. The hospitals have a combined average daily census of 6 patients, with a peak of 11 beds and a low of 5 beds. Since it appears that there is excess capacity at both inpatient pediatric units, this proposal's reduction in combined beds from 22 to 12 appears to be reasonable.

OHCA is concerned about access to critical pediatric inpatient services during implementation of the proposal, particularly the transition period between the closing of WH inpatient pediatric unit and the opening of the CCMC inpatient pediatric unit. OHCA is also concerned about the transportation of patients from the WH ED to the CCMC pediatric inpatient unit. Currently WH admits approximately 400 pediatric patients via the ED annually, and it would be this volume of patients that may potentially need

ambulance transport to the CCMC pediatric inpatient unit. OHCA is concerned that additional charges may be incurred by families initially presenting at WH and requiring transfer to CCMC. OHCA questions the impact of these charges and of the ambulance transfer itself on patient satisfaction with the proposed service. Since the unit will be located at SMH, OHCA does not have the same concern with the ED patients at SMH, as they need only be admitted to the CCMC unit on the premises. OHCA is concerned, however, that the proposal may ultimately result in an influx of pediatric volume over time arriving at SMH ED, adding to an already "crowded" ED.

The total capital expenditure for the proposal, to be financed with CCMC's operating funds, is $600,079. CCMC projects incremental gains from operations with the proposal of $192,894, $742,112, and $1,148,073 in fiscal years 2008, 2009, and 2011 respectively. SMH projects incremental gains from operations with the proposal of $233,640, $937,477, and $1,148,073 in fiscal years 2008, 2009, and 2011 respectively. WH projects incremental gains from operations with the proposal of $26,373, $96,654, and $61,034 in fiscal years 2008, 2009, and 2011 respectively. WH's projections do not include any gains/losses from the conversion of 10 pediatric medical/surgical beds to 10 adult medical/surgical beds.

In conclusion, this proposal will improve the quality of and access to specialized pediatric services in the proposed service area through collaboration between hospitals. However OHCA requires that the Applicants address more fully the effects of the proposal and address potential issues related to access, transfer, the admitting process, and other related matters. This approach assures the public of a sound professional facility that will serve the needs of pediatric patients and their families in the greater Waterbury area.

Order

NOW, THEREFORE, the Office of Health Care Access ("OHCA") and Connecticut Children's Medical Center ("CCMC"), Saint Mary's Hospital ("SMH"), and Waterbury Hospital ("WH") (together referred to as "Applicants") hereby stipulate and agree to the terms of settlement with respect to the Applicants' request to terminate pediatric inpatient services at SMH and WH and for CCMC to establish, own, and operate pediatric inpatient services at SMH as a satellite facility of CCMC, at an estimated total capital expenditure of $600,079.

1. The Applicants' request for a Certificate of Need regarding the proposal to terminate pediatric inpatient services at SMH and WH and for CCMC to establish, own, and operate inpatient pediatric services at SMH as a satellite facility of CCMC, at an estimated total capital expenditure of $600,079, is hereby approved.

2. CCMC is authorized by OHCA to increase its licensed bed capacity, from 135 licensed beds to 147 licensed beds, an addition of 12 beds. CCMC must also obtain authorization from the State of Connecticut Department of Public Health to increase its licensed bed capacity by 12 beds. These 12 beds can only be staffed and utilized at the new satellite location at SMH and cannot be staffed at any other facility unless CCMC files with OHCA appropriate documentation and receives OHCA approval.

3. SMH, approved to terminate its pediatric inpatient services, must continue to provide such services until CCMC pediatric inpatient unit is licensed and in operation. Failure to remain open until this time may be considered as not filing required information and may subject SMH to civil penalties pursuant to Section 19a-653, C.G.S.

4. WH, approved to terminate its pediatric inpatient services, must continue to provide such services until CCMC is licensed and in operation. Failure to remain open until this time may be considered as not filing required information and may subject WH to civil penalties pursuant to Section 19a-653, C.G.S.

5. There is no authorized change in the number of licensed beds at SMH or WH.

6. No less than two weeks prior to start of operations, CCMC shall file with OHCA written notification of the date upon which CCMC will begin operation of the inpatient pediatric unit within SMH. OHCA must receive this notification and acknowledge receipt of such in writing, prior to SMH and WH terminating their inpatient pediatric services. In addition, CCMC is required to file a copy of its license obtained from the State of Connecticut Department of Public Health to operate the satellite inpatient pediatric services unit.

7. The Applicants will create a charitable pool fund to cover any out-of-pocket expenses that the patient's and/or the parent's or legal guardian's health insurer does not cover as related to the transportation from WH ED to the CCMC satellite unit at SMH. It is the Applicants' responsibility to ensure that the patient's parent or legal guardian is aware of this policy. CCMC will administer the charitable pool fund and provide OHCA with the appropriate documentation of its formation. CCMC will report the usage of such funds to OHCA at meetings as stipulated in Condition 15.

8. Patients transported from WH ED to CCMC pediatric inpatient unit shall be directly admitted to the pediatric inpatient unit and shall not be admitted to the SMH Emergency Department ("ED"). In the event this occurs, SMH must cover all expenses related to this second ED visit.

9. SMH and WH will continue to provide outpatient and ED services to children.

10. Should SMH and/or WH propose to recommence pediatric inpatient services, each hospital shall file with OHCA appropriate documentation, including either a Certificate of Need Determination Request or a Certificate of Need Letter of Intent.

11. Should the agreement among the Applicants established by the Memorandum of Understanding be terminated, CCMC must obtain CON authorization from OHCA before termination of its pediatric inpatient unit at SMH.

12. CCMC will work to ensure that all community pediatricians/family practitioners and surgeons who have provided care for children at either or both SMH and WH will elect to have active privileges at CCMC in order to admit patients to the pediatric inpatient unit. CCMC will also reach out to additional practitioners in the Waterbury area in an effort to include all potential pediatric providers.

13. It is the responsibility of CCMC to inform the public of the new pediatric inpatient unit at SMH and that its services will be provided in accordance with the Ethical and Religious Directives for Catholic Health Care Services ("ERD").

14. CCMC shall distribute a Patient Satisfaction Survey to each patient, parent, or legal guardian that has been provided services at the pediatric inpatient unit. The survey shall be able to segment patients originating from WH and SMH EDs and shall have questions that focus on topics that include, but are not limited to:
    - Transfer and transport issues;
    - Prior knowledge of CCMC being the hospital provider;
    - Knowledge of the staff regarding the new satellite unit;
    - Knowledge of the ERD;
    - Overall patient experience, quality; and
    - Any other relevant feedback.

    The results of this survey are most important at the inception of the program and will be required for only the first full twelve months of operations. OHCA requires

that CCMC provide quarterly aggregated results one month after the completion of a calendar quarter.

15. OHCA requires meetings between the Applicants and OHCA concerning the operation of the CCMC pediatric inpatient unit. The first meeting with OHCA shall occur approximately two weeks prior to commencement of the operations of the pediatric inpatient unit. It will be at the discretion of OHCA to determine the frequency and number of future meetings to be held and the information that must be submitted at each meeting. Unless otherwise notified in writing by OHCA the meetings will focus on operational issues or barriers of access to care, including, but not limited to, transfer, admitting process, and ED issues.

16. CCMC must post a toll-free telephone number for patients, parents or legal guardians to call if they have concerns or complaints concerning CCMC pediatric inpatients services at SMH.

17. The Applicants shall provide OHCA with a finalized copy of the Master Service Agreement and each schedule, exhibit, attachment, and addendum to the Agreement within 30 days of execution of the Master Service Agreement.

18. The authorization shall expire on April 30, 2010. Should the termination of existing pediatric inpatient services at SMH and WH and establishment of new satellite pediatric inpatient services with CCMC as the license holder and operator not be completed by that date and available to patients, the Applicants must seek further approval from OHCA to complete the project beyond that date.

19. The Applicants shall not exceed the approved capital expenditure of $600,079. In the event that the Applicants learn of potential cost increases or expect that the final project costs will exceed those approved, the Applicants shall file with OHCA a request for approval of the revised project budget.

20. OHCA and CCMC, SMH, and WH agree that this Agreed Settlement represents a final agreement between OHCA and CCMC, SMH, and WH with respect to this request. The signing of this Agreed Settement resolves all objections, claims and disputes, which may have been raised by the Applicants with regard to Docket Number: 07-31003-CON.

21. This Agreed Settlement is an order of the Office of Health Care Access with all the rights and obligations attendant thereto, and the Office of Health Care Access may enforce this Agreed Settlement pursuant to the provisions of Sections 19a-642 and 19a-653 of the Connecticut General Statutes at the Applicants' expense, if the Applicants fail to comply with its terms.

Signed by Martin J. Gavin on April 30, 2008

_____ _____

Date

Duly Authorized Agent for
Connecticut Children's Medical Center

Signed by Michael Novak on April 30, 2008

_____ _____

Date

Duly Authorized Agent for
Saint Mary's Hospital

Signed by Colleen Scott on May 1, 2008

_____ _____

Date

Duly Authorized Agent for
Waterbury Hospital

The above Agreed Settlement is hereby accepted and so ordered by the Office of Health Care Access on May 1, 2008.

Signed by Commissioner Vogel on May 1, 2008

_____ _____

Date Cristine A. Vogel
Commissioner