



Office of Health Care Access Certificate of Need Application

Final Decision

Hospital: Hartford Hospital

Docket Number: 07-31017-CON

Project Title: Replacement of an Air Ambulance Helicopter

Statutory Reference: Section 19a-639 of the Connecticut General Statutes

Filing Date: January 16, 2008

Decision Date: February 7, 2008

Default Date: April 15, 2008

Staff Assigned: Alexis G. Fedorjaczenko

Project Description: Hartford Hospital ("Hospital") proposes to replace an air ambulance helicopter at a total capital expenditure of \$6,100,000.

Nature of Proceedings: On January 16, 2008, the Office of Health Care Access ("OHCA") received a Certificate of Need ("CON") application from Hartford Hospital to replace an air ambulance helicopter at a total capital expenditure of \$6,100,000. The Hospital is a health care facility or institution as defined by Section 19a-630 of the Connecticut General Statutes ("C.G.S.").

A notice to the public concerning OHCA's receipt of the Hospital's Letter of Intent was published on August 21, 2007, in *The Hartford Courant*. OHCA received no responses from the public concerning the Hospital's proposal.

Pursuant to Section 19a-639 of the Connecticut General Statutes ("C.G.S.") three individuals or an individual representing an entity with five or more people had until February 6, 2008, the twenty-first calendar day following the filing of the Hospital's CON Application, to request that OHCA hold a public hearing on the Hospital's proposal. OHCA received no hearing requests from the public.

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

Impact of the Proposal on the Hospital's 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. Hartford Hospital ("Hospital") is an acute care hospital located at 80 Seymour Street in Hartford, CT. *(November 13, 2007, Initial CON Submission, Appendix C)*
2. LIFE STAR, the air ambulance department of Hartford Hospital, provides a critical care helicopter service. *(August 3, 2007, Letter of Intent, pages 8-9)*
3. Hartford Hospital is the only hospital in the state that operates an air ambulance service. *(November 13, 2007, Initial CON Submission, page 5)*
4. LIFE STAR serves all cities and towns within the State of Connecticut, as well as small portions of New York State, western Massachusetts, and Rhode Island.¹ *(November 13, 2007, Initial CON Submission, page 3)*
5. The Hospital proposes to replace one of its two LIFE STAR air ambulance helicopters. *(November 13, 2007, Initial CON Submission, page 2)*
6. The Hospital proposes to purchase the American Eurocopter model EC 145 helicopter, which is essentially the next generation of the helicopter currently used, the Messerschmitt model BK 117. *(August 3, 2007, Letter of Intent, page 8)*
7. The Hospital indicated that the helicopter is approaching the end of its useful life and needs to be replaced for the following reasons:
 - It is over 20 years old and is frequently taken out of service for maintenance; and
 - Down time is sometimes extended due to the unavailability of replacement parts.*(November 13, 2007, Initial CON Submission, page 2)*
8. The helicopter's present down time averages 8.5 hours per week for maintenance and repair, while it is anticipated that the new helicopter will require only 3 hours of down time per week. *(January 16, 2007, Completeness Response, page 1)*
9. The Hospital provided a letter from Air Methods, the Hospital's contracted aviation services operator, stating that:

¹ Transports to and from neighboring states are usually on a mutual-aid basis or for hospital-to-hospital transfers and these missions are undertaken only when LIFE STAR is not involved in an in-state flight.

- Parts are becoming more difficult to procure for the current helicopter; and
- The BK 117A model helicopter will be cycled out of the aircraft fleet over the next couple of years.

(January 16, 2007, Completeness Response, page 2)

10. The Hospital indicated that the replacement helicopter will include improved navigation and safety equipment that will permit it to fly according to Instrument Flight Rules (IFR), enabling flights in inclement weather. *(November 13, 2007, Initial CON Submission, page 2)*
11. Currently the Hospital's helicopters are often "grounded" in inclement weather, which is often present when serious motor vehicle accidents occur. *(August 3, 2007, Letter of Intent, page 8)*
12. The Hospital stated that it is not possible to convert the current helicopter to be IFR-capable. *(January 16, 2007, Completeness Response, page 2)*
13. The number of LIFE STAR patient transports by state for Fiscal Years ("FYs") 2005, 2006, and 2007 are as follows::

Table 1: LIFE STAR Patient Transports for FYs 2005-2007

Location	FY 2005	FY 2006	FY 2007
Connecticut	1,037	907	956
Massachusetts	123	120	110
Rhode Island	69	55	56
Vermont	2	0	1
New York	11	8	5
Unknown	0	12	26
Total	1,242	1,103	1,165

(November 13, 2007, Initial CON Submission, Appendix A)

14. LIFE STAR volumes fluctuate significantly from year to year due to a combination of factors including variations in severe weather conditions and changes over time in the training, capabilities and inclination to employ LIFE STAR resources by area hospitals and ground ambulance crews and paramedics. FY 2005 was the busiest year over the past 5, in terms of missions flown. *(January 16, 2007, Completeness Response, page 3)*
15. The Hospital projects that patient transport volumes will rise by 45 per year with the new helicopter. *(November 13, 2007, Initial CON Submission, page 5)*
16. For the last five years, the Hospital has tracked flights that have had to be "declined" due to inclement weather. As part of this determination the pilot notes whether the flight could have been completed with an IFR-capable helicopter. The projected volume increases are based on the average number of flights declined due to lack of IFR capability. *(January 16, 2007, Completeness Response, page 2)*
17. LIFE STAR utilizes Standards of Practice that have been developed by the Medical Director and other physician experts. These Standards of Practice reflect the latest recommendations, where applicable, of many of the leading physician colleges, Air Medical Physician Association, National Association of EMS Physicians, American College of Emergency Physicians, American College of Surgery, American College of

Cardiology, and American College of Obstetrics and Gynecology. The LIFE STAR Standards of Practice also reflect the recommendations from many organizations and associations in the medical transport industry including the Association of Air Medical Services and the Commission for Accreditation for Medical Transport Services. *(November 13, 2007, Initial CON Submission, page 7)*

18. Extensive initial training and recurrent training is required for all members of the LIFE STAR crew: a flight nurse, flight respiratory therapist, pilot, mechanic and communication specialist. *(August 3, 2007, Letter of Intent, page 8)*
19. The LIFE STAR service operates 24 hours a day, seven days a week. *(November 13, 2007, Initial CON Submission, page 5)*

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

20. The total capital expenditure for purchase of the air ambulance helicopter is \$6,100,000. *(November 13, 2007, Initial CON Submission, page 10)*
21. The Hospital will finance the proposal through \$900,000 of funded depreciation and a conventional loan of \$5,200,000. *(November 13, 2007, Initial CON Submission, pages 11-12)*
22. The Hospital stated that the proposal is cost effective and that buying it provides for less cost over the life of the helicopter than leasing it. *(November 13, 2007, Initial CON Submission, page 15)*
23. The new Helicopter is expected to become operational on April 1, 2009. *(November 13, 2007, Initial CON Submission, page 14)*
24. The current and projected payer mix for the air ambulance helicopter are as follows:

Table 2: Current and Three-Year Projected Payer Mix with the CON Proposal

Payer Mix	Current	Year 1	Year 2	Year 3
Medicare	43.8%	43.8%	43.8%	43.8%
Medicaid	10.5%	10.5%	10.5%	10.5%
CHAMPUS and TriCare	0.5%	0.5%	0.5%	0.5%
Total Government	54.8%	54.8%	54.8%	54.8%
Commercial Insurers	39.3%	39.3%	39.3%	39.3%
Uninsured	5.9%	5.9%	5.9%	5.9%
Total Non-Government	45.2%	45.2%	45.2%	45.2%
Total Payer Mix	100%	100%	100%	100%

(November 13, 2007, Initial CON Submission, page 13)

25. The Hospital projects incremental losses associated with the proposal of (\$142,037), (\$253,570), and (\$250,134) in FYs 2009, 2010 and 2011, respectively. *(November 13, 2007, Initial CON Submission, Appendix G)*

26. The Hospital stated that although the purchase of the air ambulance helicopter will generate an incremental operating loss, the overall LIFE STAR program will generate an operating gain in FY 2011. *(November 13, 2007, Initial CON Submission, page 15)*
27. The Hospital projects overall gains in Hospital operations of \$8,065,303, \$8,256,038, and \$8,855,087 in FYs 2009, 2010 and 2011, respectively. *(November 13, 2007, Initial CON Submission, Appendix G)*
28. There is no State Health Plan in existence at this time. *(November 13, 2007, Initial CON Submission, page 2)*
29. The proposal is consistent with Hospital's long-range plan. *(November 13, 2007, Initial CON Submission, page 2)*
30. The proposal will not change the Hospital's teaching or research responsibilities. *(November 13, 2007, Initial CON Submission, page 9)*
31. There are no distinguishing characteristics of the patient/physician mix with regard to the proposal. *(November 13, 2007, Initial CON Submission, page 9)*
32. The Hospital has improved productivity and contained costs through energy conservation, group purchasing, and the application of technology. *(November 13, 2007, Initial CON Submission, page 9)*
33. The Hospital has sufficient technical and managerial competence to provide efficient and adequate services to the public. *(November 13, 2007, Initial CON Submission, Appendix B)*
34. The Hospital's rates are sufficient to cover the proposed capital expenditure and operating costs. *(November 13, 2007, Initial CON Submission, Appendix G)*

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.

Hartford Hospital (“Hospital”) is an acute care hospital located at 80 Seymour Street in Hartford, CT. LIFE STAR, the air ambulance department of Hartford Hospital, provides a critical care helicopter service serving all cities and towns within the State of Connecticut. The Hospital proposes to replace one of its two LIFE STAR air ambulance helicopters, the Messerschmitt model BK 117, with the American Eurocopter model EC 145, which is essentially the next generation of the helicopter currently used.

The Hospital is proposing to replace the air ambulance helicopter because the current helicopter is over 20 years old and is approaching the end of its useful life. It is frequently taken out of service for maintenance, and down time is sometimes extended due to the unavailability of replacement parts. Replacement of the helicopter will potentially reduce down time for maintenance and repair from an average of 8.5 hours per week to 3 hours per week, thus increasing the hours that it can respond to emergencies. According to the Hospital, the helicopter replacement proposal is also based on the need to acquire improved navigation and safety equipment that will permit it to fly according to Instrument Flight Rules (IFR). IFR capability will allow LIFE STAR to fly in inclement weather, which is often present when serious motor vehicle accidents requiring the air ambulance service occur. Currently, the Hospital’s helicopters are often “grounded” during inclement weather. Thus, OHCA finds that the proposed air ambulance helicopter replacement will improve the accessibility and quality of care for patients in Connecticut in need of emergency air ambulance services.

The capital expenditure associated with this proposal is \$6,100,000, which will be funded through both funded depreciation and a conventional loan. The Hospital stated that the proposal to purchase the helicopter is cost effective and is less costly over the life of the helicopter than leasing it. The Hospital projects incremental losses associated with the proposal of (\$142,037), (\$253,570), and (\$250,134) in FYs 2009, 2010 and 2011, respectively. However, the overall LIFE STAR program will generate an operating gain in FY 2011 and the Hospital projects overall gains in Hospital operations for each of these years. Although OHCA can not draw any conclusions, the Hospital’s financial projections and volumes upon which they are based appear to be reasonable and achievable. Therefore, OHCA finds that the CON proposal is cost effective and will improve access to critical care services.

Order

Based upon the foregoing Findings and Rationale, the Certificate of Need application of Hartford Hospital ("Hospital") to purchase an air ambulance helicopter at a total capital expenditure of \$6,100,000, is hereby GRANTED, subject to the following conditions:

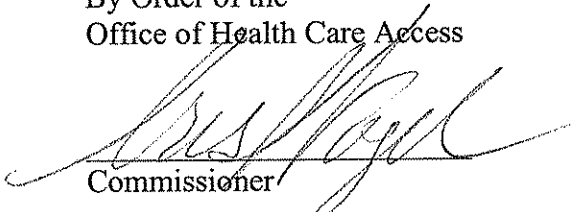
1. This authorization shall expire on February 7, 2009. Should the Hospital's Air Ambulance Helicopter not be operational by that date, the Hospital must seek further approval from OHCA to complete the project beyond that date.
2. The Hospital shall not exceed the approved capital expenditure of \$6,100,000. In the event that the Hospital learns of potential cost increases or expects that final project costs will exceed those approved, the Hospital shall notify OHCA immediately.
3. The Hospital shall not operate more than two air ambulance helicopters. Should the Hospital wish to operate more than two helicopters, Certificate of Need authorization is required.

Should the Applicant fail to comply with any of the aforementioned conditions, OHCA reserves the right to take additional actions as authorized by law.

All of the foregoing constitutes the final order of the Office of Health Care Access in this matter.

2-7-08
Date

By Order of the
Office of Health Care Access


Commissioner