

**STATE OF CONNECTICUT**  
DEPARTMENT OF PUBLIC HEALTH  
*Office of Health Care Access*

August 1, 2013

**IN THE MATTER OF:**

An Application for a Certificate of Need filed  
Pursuant to Section 19a-638, C.G.S. by:

Notice of Final Decision  
Office of Health Care Access  
Docket Number: 12-31811-CON

**Blue Sky Behavioral Health, LLC**

**Establish a Mental Health Residential  
Living Center in Danbury**

To:

David Palmer  
Chief Executive Officer  
Blue Sky Behavioral Health, Inc.  
52 Federal Road  
Suite 2A  
Danbury, CT 06810

Dear Mr. Palmer:

This letter will serve as notice of the Final Decision of the Office of Health Care Access in the above matter, as provided by Section 19a-638, C.G.S. On August 1, 2013, the Final Decision was rendered as the finding and order of the Office of Health Care Access. A copy of the Final Decision is attached hereto for your information.

A handwritten signature in black ink, appearing to read "Kim Martone".

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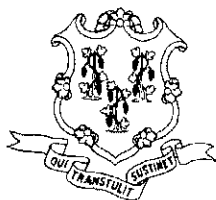
Kimberly R. Martone  
Director of Operations

Enclosure  
KRM:pf

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## Department of Public Health Office of Health Care Access

### Final Decision

**Applicant:** Blue Sky Behavioral Health, LLC  
52 Federal Road  
Suite 2A, Danbury, CT 06810

**Docket Number:** 12-31811-CON

**Project Title:** Establish a Mental Health Residential Living Center in Danbury, Connecticut

**Project Description:** Blue Sky Behavioral Health, LLC (“Applicant”) is proposing the establishment of a mental health residential living center in Danbury, Connecticut with an associated capital cost of \$160,000.

**Procedural History:** The Applicant published notice of its intent to file the Certificate of Need (“CON”) application in the *News-Times* on November 11, 12 and 13, 2012. On December 21, 2012, the Office of Health Care Access (“OHCA”) received the CON application from the Applicant for the above-referenced project. On April 11, 2013, OHCA deemed the CON application complete.

On April 11, 2013, the Applicant was notified of the date, time and place of the public hearing. On April 14, 2013, a notice to the public announcing the hearing was published in the *News-Times*. Thereafter, pursuant to Connecticut General Statutes (“Conn. Gen. Stat”) § 19a-639a, a public hearing regarding the CON application was held on May 8, 2013.

Commissioner Jewel Mullen designated Attorney Kevin T. Hansted as the hearing officer in this matter. The hearing was conducted as a contested case in accordance with the provisions of the Uniform Administrative Procedure Act (Chapter 54 of the General Statutes) and Conn. Gen. Stat. § 19a-639a. The public hearing record was closed on May 29, 2013.

## Findings of Fact

1. The Applicant is a for-profit Connecticut limited liability company, and a health care facility or institution as defined by Conn. Gen. Stat. § 19a-639, that is proposing the establishment of a 6 bed Mental Health Residential Living Center at 124 Franklin Street, Danbury, Connecticut. Ex. A., p. 7.
2. A Mental Health Residential Living Center is a facility which provides a supervised, structured and supportive group living arrangement which includes psychosocial rehabilitative services and may also provide assistance in obtaining community services to persons in need of mental health services. Ex. A., p. 7.
3. The Applicant currently holds Mental Health Day Treatment Facility and Facility for the Care or Treatment of Substance Abusive or Dependent Persons licenses and provides these services at 52 Federal Road, Danbury, Connecticut (“Blue Sky Clinic”). Ex. A., p. 13.
4. The Applicant proposes to provide services to residents of the following towns that comprise Region 5 as defined by the State of CT, Department of Mental Health Services (“DMHAS”):

Barkhamsted	Goshen	Newtown	Southbury
Beacon Falls	Hartland	Norfolk	Thomaston
Bethel	Harwinton	North Canaan	Torrington
Bethlehem	Kent	Oxford	Warren
Bridgewater	Litchfield	Prospect	Washington
Brookfield	Middlebury	Redding	Waterbury
Canaan	Morris	Ridgefield	Watertown
Cheshire	Naugatuck	Roxbury	Winchester
Colebrook	New Fairfield	Salisbury	Wolcott
Cornwall	New Hartford	Sharon	Woodbury
Danbury	New Milford	Sherman	

Ex. A, p. 8.

5. The Applicant states that the Danbury area was selected for the proposed residential facility, in part, because it will allow for the unification and coordination of mental health and substance abuse counseling and treatment offered at the existing Blue Sky Clinic in Danbury for the residents of its proposed residential treatment facility. Ex. A, p. 8.
6. The Applicant testified that the proposed residential treatment facility would also add to the continuity of care for individuals being treated at the Blue Sky Clinic. Transcript of May 8, 2013 Public Hearing (“Tr.”), Testimony of David Palmer, Chief Executive Officer, Blue Sky Behavioral Health, LLC. p. 10.

7. The populations to be served by the proposed facility are adults ages 18-64 with a primary diagnosis of a behavioral health disorder, or potentially a secondary diagnosis of substance abuse (co-occurring disorder). Ex. A, p. 9.
8. According to the National Institute of Mental Health (“NIMH”), 26.2% of adults in the United States age 18 and older suffer from a diagnosable mental health or substance abuse disorder in a given year. Ex. A, p. 9.
9. According to The Connecticut State Office of Rural Health, during a single year, there are an estimated 600,000 adults in Connecticut with mental illness (including 135,000 with serious mental illness), yet it is estimated that only about half receive any form of public or privately funded treatment. Ex. A, p. 73.
10. The Applicant reports that 58.3% of the people treated in the State of Connecticut with a diagnosable mental health disorder are between the ages of 18 and 64. Ex. A, p. 10.
11. In Fiscal Year (“FY”) 2012, there were 417,009 discharges from acute care hospitals in Connecticut. Persons age 18 and older with a behavioral health diagnosis, including mental health disorders and alcohol and drug abuse, accounted for 28,012 of those discharges. In FY 2012, there were 56,780 discharges age 18 and older in Region 5 with 4,111 with a behavioral health diagnosis. CT Department of Public Health Office of Health Care Access Acute Care Hospital Inpatient Discharge Database.
12. The majority of referrals to the proposed residential treatment facility would originate from the Danbury area. Currently, the Blue Sky Clinic has relationships with other providers in the area, including Danbury and New Milford Hospitals. Blue Sky Clinic has received referrals from Mountainside Treatment Center, High Watch Recovery Center and Silver Hill Hospital, a Hospital for Mentally Ill Patients. Tr. Testimony of David Palmer, p. 11.
13. The Applicant will build upon these existing relationships and expects to receive residential treatment program referrals from these providers. Tr. Testimony of David Palmer, p. 12.
14. The Applicant also identified Western Connecticut State University (“WCSU”), located in Danbury, as a potential source of referrals, based upon recent studies that have shown that substance abuse is a growing problem among college students. Ex. E, p. 192.
15. According to the Substance Abuse and Mental Health Services Administration (“SAMHSA”), college students have an increased incidence of mental health and substance abuse issues. 46.6 % of all substance abuse treatment admissions for college students are alcohol related. Ex. A, p. 7.

16. According to SAMSHA, 1 in 6 college students have a mental health issue. The Applicant assumes that 1,281 of WCSU's 6,407 students may have a mental health issue and that a percentage of these students would be appropriate for and seek residential services. Ex. E, p. 193.
17. The Applicant testified that emergency room clinicians have expressed frustration at the lack of intermediate facilities available for those patients presenting at the emergency room with mental health issues who are not appropriate to be admitted to the hospital. Tr. Testimony of Dr. David Moore, Clinical Director and Psychologist, Blue Sky Behavioral Health, LLC. pp. 14-15.
18. The proposed residential treatment facility will serve as a "middle placement" for individuals not admitted to a hospital, but needing more behavioral health services than currently offered by existing partial intensive outpatient or outpatient programs. Tr. Testimony of Dr. David Moore, pp. 14-15.
19. The proposed residential treatment facility will be staffed 24-hours a day in a structured environment so that patients will get the kind of continuous support they need in a program that offers more concentrated services than are currently available. Tr. Testimony of David Palmer, pp. 19-20.
20. The Applicant will provide the following services at the proposed residential treatment facility: budgeting group, exercise group, art therapy, music therapy, vocational job hunting group, current events group, yoga group, and transportation to church, Narcotics Anonymous and Alcoholics Anonymous, if necessary. Ex. A, p. 11.
21. There are two other residential treatment facilities in Region 5, both located in Waterbury -- Central Naugatuck Valley Help, Inc. and St. Vincent DePaul Mission of Waterbury, both approximately 30 miles from Danbury. Ex. A, pp. 10-11; Mapquest.
22. The effect of the proposed residential treatment facility on the existing providers will be minimal. According to the Applicant, the services it proposes to offer are more comprehensive than services currently offered at other area facilities. Ex. A, p. 11.

23. The Applicant is projecting the following total admissions for FYs 2013, 2014, 2015:

**Table 1: Projected Total Admissions for FYs 2013, 2014, 2015**

<b>Mental Health Residential Living Center</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>
Total Beds	6	6	6
Total Bed Days	2190	2190	2190
Projected Occupancy	83%	100%	100%
Projected Bed Days	1817.7	2190	2190
Projected Total Admissions	60.59	73	73

Ex. A, p. 118.

24. The Applicant projects the following payments: \$500/day per bed for FY 2013, \$550/day per bed for FY 2014 and \$600/day per bed for FY 2015. Ex. A, pp. 150-152.

25. The Applicant projects the following operating revenue, expenses and earnings for the proposed residential facility:

**Table 2: Residential Treatment Facility Financial Projections by Fiscal Year\***

	<b>FY 2013**</b>	<b>FY 2014***</b>	<b>FY 2015****</b>
Total Revenue from Operations	\$908,850	\$1,204,500	\$1,314,000
Total Expenses from Operations	\$578,000	\$615,000	\$640,500
Earnings before Taxes	\$330,850	\$589,500	\$673,500

\* Based on fiscal year ending Dec 31.

\*\*Total Revenue from Operations ( $\$500/\text{day} \times 6 \text{ beds} \times 365 \text{ days} \times 83\% = \$908,850$ ).

\*\*\* Total Revenue from Operations ( $\$550/\text{day} \times 6 \text{ beds} \times 365 \text{ days} \times 100\% = \$1,204,500$ ).

\*\*\*\* Total Revenue from Operations ( $\$600/\text{day} \times 6 \text{ beds} \times 365 \text{ days} \times 100\% = \$1,314,000$ ).

Ex. A, pp. 150-152.

26. The total capital cost for the proposal is \$160,000 and will be financed by David Palmer and Joe Santoro, who are the current owners of the Blue Sky Clinic. Ex. A, pp. 13, 135

27. The proposed residential treatment facility will have a patient population mix of 25% private pay and 75% commercial insurance. The Applicant based this patient mix on the experience at the Blue Sky Clinic. Ex. C, p. 201.

28. The Applicant assumes that since it is only accepting private pay and commercial insurance, it would not take funding away from other providers who are not-for-profit, since they are not serving the same population. Ex. C., p. 184.

29. OHCA is currently in the process of establishing its policies and standards as regulations. Therefore, OHCA has not made any findings as to this proposal's relationship to any policies and standards not yet adopted as regulations by OHCA. (Conn. Gen. Stat. § 19a-639(a)(1)).

30. This CON application is consistent with the overall goals of the Statewide Health Care Facilities and Services Plan. (Conn. Gen. Stat. § 19a-639(a)(2)).
31. The Applicant has established that there is a clear public need for its proposal. (Conn. Gen. Stat. § 19a-639(a)(3)).
32. The Applicant has satisfactorily demonstrated that the proposal is financially feasible. (Conn. Gen. Stat. § 19a-639(a)(4)).
33. The Applicant has satisfactorily demonstrated that its proposal would improve the accessibility of health care delivery in the region and it has satisfactorily demonstrated a potential improvement in quality through an expanded continuum of care. (Conn. Gen. Stat. § 19a-639(a)(5)).
34. The Applicant has shown that there would be no change to the provision of health care services to the relevant populations and payer mix. (Conn. Gen. Stat. § 19a-639(a)(6)).
35. The Applicant has satisfactorily identified the population to be served by this proposal and has satisfactorily demonstrated that this population has a need as proposed. (Conn. Gen. Stat. § 19a-639(a)(7)).
36. The historical utilization in the service area supports this proposal. (Conn. Gen. Stat. § 19a-639(a)(8)).
37. The Applicant has satisfactorily demonstrated that this proposal would not result in an unnecessary duplication of existing behavioral health services in the area. (Conn. Gen. Stat. § 19a-639(a)(9)).

## Discussion

CON applications are decided on a case by case basis and do not lend themselves to general applicability due to the uniqueness of the facts in each case. In rendering its decision, OHCA considers the factors set forth in General Statutes § 19a-639(a). The Applicant bears the burden of proof in this matter by a preponderance of the evidence. *Goldstar Medical Services, Inc., et al. v. Department of Social Services, 288 Conn. 790 (2008)*.

Blue Sky Behavioral Health, LLC is proposing the establishment of a 6 bed Mental Health Residential Living Center at 124 Franklin Street in Danbury, Connecticut. *FF1*. The Applicant currently operates a day treatment facility, Blue Sky Behavioral Health Clinic ("Blue Sky Clinic"), in Danbury. *FF3*. The Applicant is proposing the provision of residential behavioral health services to adults between the ages of 18 and 64 who are not admitted to a hospital but are in need of more structured, concentrated behavioral health services than are currently offered at existing programs in the area. *FF 19&20*.

The Applicant will locate the residential treatment facility in Danbury, in part, to unify and coordinate mental health and substance abuse counseling and treatment offered at the existing Blue Sky Clinic in Danbury for the residents of its proposed residential treatment facility. In turn, the proposed residential treatment facility will also provide continuity of care for individuals being treated at the Blue Sky Clinic. *FF 5&6*.

The majority of referrals to the proposed residential treatment facility will originate from the Danbury area. The Blue Sky Clinic currently has relationships with other health care providers in the area, including Danbury and New Milford Hospitals, and has received referrals from Mountainside Treatment Center, High Watch Recovery Center and Silver Hill Hospital. *FF 13*. The Applicant will build upon these relationships and expects to receive residential treatment referrals from these providers. *FF 14*. In addition, the Applicant also expects to receive referrals from Western Connecticut State University, since recent studies indicate an increased incidence of mental health and substance abuse issues among college students. *FF 15-17*.

The proposed residential treatment facility will be staffed 24-hours a day and will offer the traditional treatments for its behavioral health clients such as budgeting group, exercise group, art therapy, music therapy, vocational job hunting group, current events group, yoga group, and transportation to church Narcotics Anonymous and Alcoholics Anonymous, if necessary. *FF 20&21*. The closest providers of similar services are located in Waterbury and are approximately 30 miles from the proposed location. *FF 22*. Since there are no providers in the Danbury area offering a similar level of services, the effect of the proposed residential treatment facility on existing providers will be minimal. *FF 23*.



The total capital cost associated with the proposal is \$160,000, which will be funded by the current owners of the Blue Sky Clinic. *FF 27*. The Applicant projects that the proposed residential treatment facility will realize net operating gains in each of the first three years of operations. *FF 28*. All proposed clients will either have private insurance or will self-pay, mirroring that of the Blue Sky Clinic. *FF 28&29*.

The addition of a residential treatment component to the overall Blue Sky Clinic service line will allow for a continuum of care for the target population. Therefore, OHCA finds that the Applicant has satisfactorily demonstrated clear public need for this service and that its proposal will improve the quality and accessibility of health care delivery in the Danbury area by offering an additional level of supportive, continuous residential service not currently available.

The Applicant's volumes, and the financial projections upon which the operating gains are based, appear to be reasonable. Therefore, OHCA finds that this proposal is financially feasible.


## ORDER

Based upon the foregoing Findings of Fact and Discussion, the Certificate of Need application of Blue Sky Behavioral Health, LLC for the establishment of a 6 bed Mental Health Residential Living Center at 124 Franklin Street in Danbury, Connecticut, with an associated capital cost of \$160,000, is hereby **APPROVED**.

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

Date

8/1/2013

  
Lisa A. Davis, MBA, BSN, RN  
Deputy Commissioner

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\*\*\* TX REPORT \*\*\*  
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STATE OF CONNECTICUT  
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FROM: PAOLO FIDUCIA  
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