

# STATE OF CONNECTICUT

## DEPARTMENT OF PUBLIC HEALTH

Raul Pino, M.D., M.P.H.  
Commissioner



Dannel P. Malloy  
Governor  
Nancy Wyman  
Lt. Governor

Office of Health Care Access

### Certificate of Need Final Decision

**Applicant:** The William W. Backus Hospital  
326 Washington Street  
Norwich, CT 06360

**Docket Number:** 17-32173-CON

**Project Title:** Termination of Seven Blood Collection Facilities

**Project Description:** The William W. Backus Hospital (“Backus” or “Applicant”), seeks authorization to terminate its provision of services at seven Blood Collection Facilities whereupon Quest Diagnostics will assume ownership and operation.

**Procedural History:** The Applicant published notice of its intent to file a Certificate of Need (“CON”) application in *The Hartford Courant* (Hartford) on May 31, 2017, June 1, 2017 and June 2, 2017. On, June 22, 2017, the Office of Health Care Access (“OHCA”) received the CON application from the Applicant for the above-referenced project and deemed the application complete on August 15, 2017. OHCA received no responses from the public concerning the proposal and no hearing requests were received from the public per Connecticut General Statutes (“Conn. Gen. Stat.”) § 19a-639a(e). Deputy Commissioner Addo considered the entire record in this matter.



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## Findings of Fact and Conclusions of Law

1. The Applicant is an acute care hospital and member of Hartford HealthCare Corporation (“Hartford HealthCare”) with its main campus located at 326 Washington Street, Norwich. Ex. A, p. 21
2. The Applicant offers, among other services, laboratory testing and outpatient specimen collection at its main campus. It currently also performs blood drawing and specimen collection services at seven satellite patient outreach centers, also known as blood collection facilities, (“BCFs”) in Eastern CT. Blood and other bodily fluid samples are collected at the BCFs and transferred to Backus-owned laboratories for testing. Ex. A, p. 21
3. Due to the costs of running its outreach operation, including billing, marketing, client services and logistics, the Applicant determined a provider focused solely on sample collection and testing could more efficiently provide BCF services. Ex. A p. 21, 89
4. The Applicant estimates that the expense related to supporting and operating the BCFs identified in this application are as follows:
  - Billing / Patient accounts - \$130,950 (per year)
  - Courier Services - \$180,000 (\$15,000 x 12 months)
  - Marketing Expenses - \$1,000 (approximately per year)
  - Total Estimated Expenses listed above for BCFs = approximately \$312,000 (per year)Ex. A, pp. 89, 96
5. The Applicant is seeking authorization to terminate its ownership and operation of all seven of its satellite BCFs at the following locations:
  - 163 Broadway, Colchester
  - 111 Salem Turnpike, Norwich
  - 55 Town Street Norwich
  - 330 Washington Street Norwich
  - 80 Norwich New London Turnpike. Uncasville,
  - 70 Main Street, Jewett City
  - 582 Norwich Road PlainfieldEx. A, pp. 14, 22, 26

6. Historical utilization volumes are shown in the table below:

<b>HISTORICAL UTILIZATION BY SERVICE</b>					
<b>Lab Outreach Service Locations</b>	<b>Patient Visits (Last 3 Completed FYs)</b>			<b>CFY Volume June FY17 YTD</b>	<b>CFY Volume June FY17 YTD Annualized</b>
	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017<sup>1</sup></b>	<b>FY 2017</b>
163 Broadway, Colchester	7,390	7,474	7,566	5,421	7,228
111 Salem Turnpike, Norwich	28,339	28,647	30,674	21,670	28,893
55 Town St. Norwich	18,614	18,570	18,928	13,876	18,501
330 Washington St. Norwich	12,072	16,047	16,630	12,854	17,139
80 Norwich New London Tpk. Uncasville	4,704	4,969	4,630	3,434	4,579
70 Main St., Jewett City	3,743	3,138	3,538	2,234	2,979
582 Norwich Rd. Plainfield	12,210	12,495	13,939	10,929	14,572
<b>Total</b>	<b>87,072</b>	<b>91,340</b>	<b>95,905</b>	<b>70,418</b>	<b>93,891</b>

<sup>1</sup> Volume represents actual visits from October 1, 2016 through June 31, 2017 (9 months)

Ex. A, p. 29

7. The termination of services at the seven BCFs will not impact its own laboratory or laboratory testing services, and will continue to perform drawings for outpatients, Emergency Department (“ED”) patients and for scheduled surgical services. The following lab testing and/or blood draw services will continue to be owned/operated by the Applicant:

- Backus Hospital Laboratory (full-service lab testing facility) – 326 Washington St, Norwich;
- Backus Plainfield Emergency Care Center Laboratory (rapid response lab testing facility) - 582 Norwich Road, Plainfield;
- Backus Hospital (inpatient and outpatient phlebotomy services) - 326 Washington St, Norwich.

Ex. A, pp. 22, 95

8. The Applicant and Hartford Healthcare, in conjunction with an independent third party, issued a request for proposals to identify a purchaser for the seven BCFs that are the subject of this proposal, as well as those of other Hartford Healthcare owned hospitals. It sought a purchaser that is an expert in laboratory sciences and capable of handling the large volume of testing required by the Applicant and Hartford Healthcare as a whole. Docket 17-32170-CON Ex. BB, Transcript Dr., Bimel Patel, Senior Vice President, Hartford Healthcare, pp 38-39

9. The Applicant identified Quest Diagnostics (“Quest”) as its preferred purchaser. Quest is a publicly traded company headquartered in Madison, NJ that operates more than 2,200 BCFs nationwide, with at least 187 in Connecticut. Ex. A, pp. 21, 25. Quest Diagnostics, *Fact Sheet* available at <http://newsroom.questdiagnostics.com/index.php?s=30664> (last accessed May 2017); DPH, BCF Licensing and Inspection Records.

10. There will be no change to the services offered at the BCFs subsequent to implementation of the proposal. The same services will be provided in the same locations by Quest. Docket 17-32170-CON Ex. S, Pre-filed Testimony, Joseph Vaccarelli, Administrative Director, HoCC, p. 6
11. Following implementation of the proposal, patients visiting one of the seven BCFs will have blood or urine samples collected by Quest and transported to a Quest-owned laboratory for testing. Results will be entered into an electronic health records (“EHR”) system and be immediately accessible by Backus physicians. Docket 17-32170-CON Ex. S, Pre-file Testimony, Kabawat, p. 3-4. Ex. BB, Testimony, Dr. Spencer Erman, Chief Medical Informatics Officer for Hartford HealthCare, p. 51.
12. Quest maintains an electronic mobile application titled “My Quest,” providing consumers with the ability to view their test results online, schedule appointments any time of the day and track their healthcare over time. Ex. A, p. 19
13. As a result of the planned conversion to the EPIC EHR system in October 2017, the Applicant and Quest will coordinate patients’ requisitions and results using a bi-directional data sharing interface. This software is currently in place at other Hartford Healthcare Corporation facilities. Ex. A, pp. 19, 94
14. Hartford HealthCare has implemented quarterly Steering Committee meetings, during which the Applicant’s pathologists may directly communicate to Quest’s medical leadership any concerns or insights that may arise regarding Quest’s operation of the BCFs. Docket 17-32170-CON Ex. BB, Transcript, Patel, p. 49
15. In addition to the seven BCFs that are the subject of this proposal, Quest has nine BCFs in Backus’ primary service area (“PSA”). Physicians have the ability to electronically submit requisition orders to Quest, which may then be accessed and completed by any Quest BCF at which the patient presents. Docket 17- 32170-CON Ex. BB, Transcript, Kabawat, p. 58.

16. There are twelve existing BCFs located in the Applicant’s primary service area (“PSA”) as shown in the table below.

**EXISTING BCFs IN BACKUS’ PSA**

Provider Name	Address
Quest	118 New London Turnpike, Norwich 85 Poheganut Drive, Groton 721 Bank Street, New London 4 Shaws Cove, New London 23 Clara Drive #204, Mystic 15 Chesterfield Road, East Lyme 5 Founders Street, Willimantic 21 Liberty Drive 2A, Hebron 3-5 E Hampton Road, Marlborough
Lab Corp.	12 Case Street #302, Norwich
Yale New Haven Health – Wood River Health Services	823 Main Street, Hope Valley, RI

Ex. A, pp. 33, 93

17. The purchase price of Hartford HealthCare’s BCF services, of which Backus’ BCFs are a part, is \$30 million. Ex. A, p. 93
18. Despite the incremental gain in FY 2017, which is largely due to including the proceeds from the sale of the BCF business units as other operating income, the proposal projects incremental yearly losses of approximately \$7M in FY 2018, FY 2019 and FY 2020.

**PROJECTED INCREMENTAL REVENUES AND EXPENSES**

	FY 2017	FY 2018	FY 2019	FY 2020
Revenue from Operations	\$15,000,000	(\$10,896,565)	(\$11,005,531)	(\$11,115,586)
Total Operating Expenses	\$240,286	(\$3,745,024)	(\$3,789,324)	(\$3,834,204)
Gain/Loss from Operations	\$14,759,714	(\$7,151,541)	(\$7,216,207)	(\$7,281,382)

Ex. A, pp. 22, 28

19. Despite the incremental losses related to the proposal, the Applicant will still achieve overall gains.

**PROJECTED OVERALL GAINS WITH CON**

	FY 2017	FY 2018	FY 2019	FY 2020
Revenue From Operations	\$322,917,676	\$300,479,579	\$303,479,464	\$306,509,324
Total Operating Expenses	\$277,033,908	\$276,897,322	\$279,909,838	\$282,970,130
Gain (Loss) From Operations	\$45,883,768	\$23,582,257	\$23,569,626	\$23,539,194

Financial Worksheet A

20. Quest has a charity care policy in place that qualifies patients for discounts based on their income compared to federal poverty level guidelines and patients may submit an application for billing relief. Quest provides no-charge Noninvasive Prenatal Screening for patients who meet or fall below the federal poverty level and an out-of-pocket maximum charge of \$200 for those with incomes between 100% and 400%. Ex. A, p. 94. Quest Diagnostics, *Financial Assistance*, [www.questdiagnostics.com/home/about/corporate-citizenship/community-giving/assistance.html](http://www.questdiagnostics.com/home/about/corporate-citizenship/community-giving/assistance.html) (last accessed Aug. 2017). <http://www.questdiagnostics.com/dms/Documents/Insurance-Lists/connecticut.pdf> (last accessed Aug. 2017).
21. Medicaid payers currently comprise 16.5% of the Applicant’s patients.

**APPLICANT’S LAST COMPLETED PAYER MIX**

Payer	FY 2016	
	Visits	%
Medicare*	37,043	38.6
Medicaid*	15,809	16.5
CHAMPUS & TriCare	1,300	1.4
<b>Total Government</b>	<b>54,152</b>	<b>56.5</b>
Commercial Insurers	40,732	42.5
Uninsured	679	0.7
Workers Compensation	342	0.4
<b>Total Non-Government</b>	<b>4,1735</b>	<b>43.5</b>
<b>Total Payer Mix</b>	<b>95,905</b>	<b>100.0</b>

\*Includes managed care activity  
Ex. A, p.30

22. Quest is enrolled in and a participating service provider in Connecticut’s Medicaid program and there is no expected change in the payer mix. Ex. A, p. 94. <http://www.questdiagnostics.com/dms/Documents/Insurance-Lists/connecticut.pdf> (last accessed Aug. 2017).
23. 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 regulations not yet adopted by OHCA. (Conn. Gen. Stat. § 19a-639(a)(1))
24. The Statewide Health Care Facilities and Service Plan does not address BCFs and, as such, there is currently no relationship between them. (Conn. Gen. Stat. § 19a-639(a)(2)) (Ex. A p. 24)
25. The Applicant has not proposed a health care facility or service for which a demonstration of clear public need is applicable. (Conn. Gen. Stat. § 19a-639(a)(3)) (Ex. A pp. 24-25)
26. The Applicant has demonstrated that the proposal is financially feasible. (Conn. Gen. Stat. § 19a-639(a)(4)) (Ex. A pp. 28-29)
27. The Applicant has demonstrated that the proposal will maintain quality and accessibility and cost effectiveness of health care delivery in the region. (Conn. Gen. Stat. § 19a-639(a)(5)) (Ex. A pp. 25-26)

28. The Applicant has shown that there would be no change in the provision of health care services to the relevant populations and payer mix, including access to services by Medicaid recipients. (Conn. Gen. Stat. § 19a-639(a)(6)) (Ex. A pp. 26-27)
29. The Applicant has satisfactorily identified the population to be affected by this proposal. (Conn. Gen. Stat. § 19a-639(a)(7)) (Ex. A pp. 30-31)
30. The Applicant's historical provision of treatment in the service area supports this proposal. (Conn. Gen. Stat. § 19a-639(a)(8)) (Ex. A pp. 30-31)
31. The Applicant has satisfactorily demonstrated that the proposal would not result in an unnecessary duplication of existing services in the area. (Conn. Gen. Stat. § 19a-639(a)(9)) (Ex. A p. 31)
32. The Applicant has demonstrated that there will be no reduction in access to services by Medicaid recipients or indigent persons. (Conn. Gen. Stat. § 19a-639(a)(10)) (Ex. A pp. 26-27)
33. The Applicant has not demonstrated that the proposal will not negatively impact the diversity of health care providers, but patient choice will still exist in the region. (Conn. Gen. Stat. § 19a-639(a)(11)) (Ex. A p. 31)
34. The Applicant has satisfactorily demonstrated that the proposal will not result in any consolidation that would affect health care costs or access to care. (Conn. Gen. Stat. § 19a-639(a)(12)) (Ex. A pp. 25-27)



## 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 § 19a-639(a) of the Statutes. The Applicants bear the burden of proof in this matter by a preponderance of the evidence. *Jones v. Connecticut Medical Examining Board*, 309 Conn. 727 (2013).

The Applicant, a member of Hartford HealthCare, is an acute care hospital with its primary campus in Norwich. Among other services, the Applicant provides laboratory testing and outpatient specimen collection at this location. It additionally performs blood drawing and specimen collection services at seven (7) satellite patient outreach centers, also known as blood collection facilities (“BCFs”), in Eastern Connecticut. *FF1-FF2*.

Due to the cost of operating the BCFs, including billing, marketing, and client services and logistics, the Applicant determined a provider focused solely on sample collection and testing could more efficiently provide BCF services. As a result, the Applicant is proposing terminating its ownership and operation of all seven BCFs. *FF3-FF5, FF 7*.

The Applicant sought a purchaser for the BCFs with an expertise in laboratory sciences that would also be capable of handling the large volume of testing required by the Applicant and Hartford HealthCare as a whole. Through a request for proposals process, and with assistance from an independent third party, the Applicant identified Quest as its preferred purchaser for \$30 million.<sup>1</sup> Quest is a publicly traded company headquartered in Madison, NJ that operates more than 2,200 BCFs nationwide, at least 187 of which are located throughout Connecticut. *FF8-FF9*,

Conn. Gen. Stat. sec. 19a-638(a)(5) requires that a hospital terminating outpatient services obtain a CON. It is the Applicant’s proposed termination of its BCFs that trigger the provision and CON review. The Applicant has stated that the proposal will not impact, affect, limit, reduce and/or terminate any of the laboratory testing services offered and/or provided by Backus to its patients. *FF5, FF7*

In addition to the seven BCFs that are the subject of this proposal, Quest also owns and operates nine other BCFs in the Applicant’s primary service area. Physicians can electronically submit requisition orders to Quest’s electronic medical records system, which can be accessed and completed by any Quest BCF at which a patient presents. Similarly, patients of the Applicant with limited transportation options may have access to more conveniently located BCF options that are electronically connected to Backus’ physicians. For the above reasons, access will be maintained and potentially improved for patients. *FF12-FF13, FF15-FF16*,

The BCFs will continue to be subject to the same Department of Public Health quality review<sup>2</sup> under Quest’s ownership as they have been under the Applicant’s. Dr. Kabawat confirmed that all of Quest’s BCFs are inspected by DPH.<sup>3</sup> Hartford HealthCare has also implemented quarterly Steering Committee meetings, during which the Applicant’s pathologists may directly

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<sup>1</sup> Price includes Quest’s purchase of additional Hartford HealthCare-owned BCFs.

<sup>2</sup> See CONN. AGENCIES REGS. §§ 19a-36A-47 through 36A-49.

<sup>3</sup> Docket 17- 32170-CON Ex. BB, Transcript, Kabawat, p. 43.



communicate to Quest's medical leadership any concerns or insights that may arise regarding Quest's operation of the BCFs. *FF14* Consequently, OHCA expects that the quality of blood drawing and specimen collection at the BCFs will be maintained.

The diversity of providers in the area will, however, be impacted. There are currently twelve BCFs in the Applicant's service area, nine of which are Quest owned. Lab Corporation in Norwich owns one; and Yale New Haven Health's Wood River Health Services owns one. The Applicant terminating its ownership of the seven BCFs will inevitably reduce the diversity of providers in the area. However, there are at least two other locations that are owned by entities other than Quest in the primary service area. *FF16*

Medicaid payers currently comprise 16.5% of the Applicant's patients. Quest is enrolled in and a participating service provider in Connecticut's Medicaid program, and there is no expected change to the payer mix. *FF21-FF22*

Quest has a charity care policy in place that qualifies patients for discounts based on their income compared to federal poverty level guidelines and patients may submit an application for billing relief. Therefore, there will be no reduction in services to Medicaid recipients or indigent persons. *FF20*

Furthermore, the Applicant has satisfactorily identified the patient population it serves and shown there is unlikely to be any impact upon it as a result of the proposal. Since there are no new BCFs or services being proposed, the utilization of existing facilities in the area will not be affected and there will be no duplication of services. The Applicant will incur no cost or expenditure and has shown it is financially feasible. *FF6, FF10, FF21-FF22*

Although the diversity of providers in the area is inevitably negatively impacted by a termination, this proposal will maintain access to all payers with no anticipated impact on the cost to consumers, including those who are indigent or covered by Medicaid. *FF20-FF22*

## Order

Based upon the foregoing Findings and Discussion, the Certificate of Need application requesting authorization to terminate the seven (7) Blood Collection Facilities requested is hereby **APPROVED**.

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

By Order of the  
Department of Public Health  
Office of Health Care Access



9/28/2017

Date

Yvonne T. Addo, MBA  
Deputy Commissioner