



Office Of Health Care Access Certificate of Need Application

Final Decision

Applicant: Saint Francis Hospital and Medical Center

Docket Number: 03-30197

Project Title: Expansion and Renovation of Cancer Center and Reestablishment of Stem Cell Transplant Program

Statutory Reference: Sections 19a-638 and 19a-639 of the Connecticut General Statutes

Filing Date: March 8, 2004

Decision Date: March 19, 2004

Default Date: June 6, 2004

Staff Assigned: Harold M. Oberg and Steven Lazarus

Project Description: Saint Francis Hospital and Medical Center (“Hospital”) proposes the expansion and renovation of the Hospital’s cancer center, at a total capital expenditure of \$5,430,459. The Hospital’s proposal also includes the reestablishment of the Hospital’s Stem Cell Transplant Program that was previously authorized by the Office of Health Care Access (“OHCA”) on October 7, 1996 under Docket Number 96-536.

Nature of Proceedings: On March 8, 2004, the Office of Health Care Access received a completed Certificate of Need (“CON”) application from Saint Francis Hospital and Medical Center for the expansion and renovation of the Hospital’s cancer center as well as the reestablishment of the Hospital’s Stem Cell Transplant Program, at a total capital expenditure of \$5,430,459. The Hospital is a health care facility or institution as defined by Section 19a-630 of the Connecticut General Statutes (“C.G.S.”).

On October 23, 2003, the Hospital was informed that a notice to the public regarding OHCA’s receipt of the Hospital’s Letter of Intent (“LOI”) to file its CON application would be published in the *Hartford Courant* pursuant to Sections 19a-638 and 19a-639, C.G.S. as amended by Section 1 of Public Act 03-17. OHCA received no comments from the public concerning the Hospital’s LOI or CON application.

OHCA's authority to review and approve, modify or deny the CON application is established by Sections 19a-638 and 19a-639, C.G.S. The provisions of these 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 Applicant'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. Saint Francis Hospital and Medical Center ("Hospital") is an acute care hospital located at 114 Woodland Street and 500 Blue Hills Avenue in Hartford, Connecticut. The Hospital's total licensed bed capacity of 682 beds and bassinets includes 617 licensed beds and 65 licensed bassinets. *(February 13, 2004 CON Application, Page 556)*
2. The Hospital has offered cancer treatment services to the greater Hartford region for many years. In 1991, the Office of Health Care Access ("OHCA") granted the Hospital a Certificate of Need ("CON") under Docket Number 91-506 for the construction of a two-story cancer center building, and in 1993 the Hospital moved into its 31,200 square foot cancer center located on the Hospital campus. The Saint Francis/Mount Sinai Regional Cancer Center offers outpatient radiation therapy, hematology and medical oncology services and is accredited as a teaching hospital cancer program by the Commission on Cancer of the American College of Surgeons. *(October 20, 2003 Letter of Intent, Project Description)*
3. The Hospital is proposing the expansion and renovation of the Hospital's cancer center, at a total capital expenditure of \$5,430,459. The Hospital's proposal also includes the reestablishment of the Hospital's Stem Cell Transplant Program that was previously authorized by OHCA on October 7, 1996 under Docket Number 96-536. *(February 13, 2004 CON Application, Pages 2 and 4)*
4. The first floor of the cancer center houses Radiation Therapy services and includes two linear accelerators, a high dose therapy machine, two simulators as well as ancillary and support services for the program. The second floor currently houses Hematology/Oncology outpatient services and includes examination, treatment and support spaces for chemotherapy, hematology and medical oncology services. *(February 13, 2004 CON Application, Page 4)*
5. Since 1992, the Hospital has experienced a significant growth in volume in the cancer center's Hematology/Oncology services. The examination and treatment spaces located on the second floor are no longer adequate to meet the present and anticipated future increase in demand for the Hospital's outpatient Hematology/Oncology services as well as the demand for services related to the Hospital's Stem Cell Transplant Program that it proposes to reestablish. *(October 20, 2003 Letter of Intent, Project Description)*

6. The current lack of sufficient and adequate cancer center examination and treatment spaces has resulted in overcrowding of waiting areas and causes patients to wait for extended periods of time for their scheduled appointment or treatment. *(February 13, 2004 CON Application, Page 8)*
7. The Hospital received CON authorization from OHCA on October 7, 1996 under Docket Number 96-536 to establish a stem cell transplantation program. Autologous transplantation commenced on a small clinical trial basis, the program was only operational a short time, and only two patients were transplanted. *(February 13, 2004 CON Application, Pages 21 and 22)*
8. The Hospital did not implement the full Stem Cell Transplant Program authorized by OHCA for the following reasons: *(February 13, 2004 CON Application, Page 21)*
 - a. Significant additional costs associated with additional personnel, space and equipment required for the program would have been incurred by the Hospital to fully implement the authorized Stem Cell Transplant Program.
 - b. At that time a similar program was already available at John Dempsey Hospital, and the Hospital recognized that it would neither be necessary nor fiscally prudent to invest a significant amount of its resources in this new technology.
9. CON authorization from OHCA was never sought by the Hospital to terminate the Stem Cell Transplant Program that was previously granted a CON. *(October 7, 1996 OHCA Agreed Settlement, Saint Francis Hospital and Medical Center, Docket Number 96-536)*
10. Two years ago, Dr. Peter J. Tutschka, the Director of and the physician responsible for the University of Connecticut Health Center's transplant and immunotherapy programs at John Dempsey Hospital, relocated to Saint Francis Hospital and Medical Center. Shortly thereafter, other key personnel from these programs left John Dempsey Hospital to join Dr. Tutschka at Saint Francis Hospital and Medical Center. *(March 8, 2004 Completeness Responses, Pages 3 and 6)*
11. Currently, there are no Stem Cell Transplant Program providers located in the Hartford region. Cancer patients currently must travel to Yale-New Haven Hospital, Boston or New York, where numerous stem cell transplant programs are available. To undergo high dose immunotherapy, cancer patients must travel to Boston or New York. *(March 8, 2004 Completeness Responses, Pages 3 and 7)*
12. Stem cell transplantation and high dose immunotherapy require special expertise and a sophisticated treatment team for successful patient outcomes. This special expertise is now available at the Saint Francis/Mount Sinai Regional Cancer Center, and the physician specialists responsible for this program have many years of experience with these types of cancer treatment programs. *(March 8, 2004 Completeness Responses, Page 3)*

13. The Hospital's actual Hematology/Oncology outpatients visits were 25,103 in FY 2002 and 26,950 in FY 2003, and the Hospital projects that its Hematology/Oncology outpatient visits will be 28,944 in FY 2004, 31,086 in FY 2005 and 33,386 in FY 2006, which do not include outpatient visits related to the Stem Cell Transplant Program. *(February 13, 2004 CON Application, Pages 6, 9 and 559)*
14. The projected utilization statistics associated with the reestablished Stem Cell Transplant program incremental to and with the CON proposal for FY 2004, FY 2005 and FY 2006 are as follows: *(February 13, 2004 CON Application, Pages 559 and 560)*

Table 1: Hospital's Projected Utilization Statistics for its Stem Cell Transplant Services

Description	FY 2004	FY 2005	FY 2006
Stem Cell Transplant Patients	2	4	20
Stem Cell Transplant Patient Days	55	107	535
Stem Cell Transplant Patient Discharges	9	17	85
Stem Cell Transplant Average Length of Stay Days	6.1	6.3	6.3
Stem Cell Transplant Outpatient Visits	38	96	640

Financial Feasibility and Cost Effectiveness of the Proposal and its Impact on the Applicant's Rates and Financial Condition
Impact of the Proposal on the Interests of Consumers of Health Care Services and the Payers for Such Services

15. The Hospital's cancer center project includes renovations and adding an addition to the cancer center and consists of the following two phases: *(February 13, 2004 CON Application, Page 17)*
- a. During the first phase of the project, renovation work of approximately 5,000 square feet will take place on the second floor to reorganize the registration, secretarial, nurses station, lab and pharmacy areas and to reconfigure physician and administration areas into treatment areas.
 - b. During the second phase of the project, a two-story addition containing 7,300 square feet will be built that will include a shelled first floor to be used for parking and a fitted out second floor to be used for a variety of outpatient hematology and medical oncology programs.
16. The total capital expenditure of \$5,430,459 for the CON proposal includes \$910,595 for medical equipment, \$148,000 for non-medical equipment and \$4,371,864 for new construction and renovations. *(February 13, 2004 CON Application, Page 16)*

17. The total new construction and renovations capital expenditures of \$4,371,864 include the following capital cost components: *(February 13, 2004 CON Application, Page 17)*

Table 2: Hospital's Total New Construction and Renovation Capital Expenditures

Description	New		Total
	Construction	Renovation	
Building Work Costs	\$ 2,465,316	\$ 791,261	\$ 3,256,577
Site Work Costs	192,571	0	192,571
Architectural and Engineering Costs	400,000	0	400,000
Contingency Costs	238,770	108,281	347,051
Inflation Adjustment	114,384	61,281	175,665
Total Capital Expenditures	\$3,411,041	\$960,823	\$4,371,864

18. The total capital expenditure for the CON proposal will be funded entirely by an equity contribution of \$5,430,459 from the Hospital's operating funds. *(February 13, 2004 CON Application, Pages 18 and 19)*
19. The Hospital projects total facility revenue from operations, total operating expense and gains from operations with the CON proposal as follows: *(February 13, 2004 CON Application, Page 559)*

Table 3: Hospital's Total Facility Financial Projections for FY 2004, FY 2005 and FY 2006

Description	FY 2004	FY 2005	FY 2006
Revenue from Operations	\$422,315,007	\$430,933,974	\$444,756,195
Total Operating Expense	419,720,684	430,118,756	444,262,242
Gains from Operations	\$ 2,594,323	\$ 815,218	\$ 493,953

20. The Hospital projects incremental revenue from operations, total operating expense and gain/(loss) from operations associated with the CON proposal as follows: *(February 13, 2004 CON Application, Page 559)*

Table 4: Hospital's Incremental Financial Projections for FY 2004, FY 2005 and FY 2006

Description	FY 2004	FY 2005	FY 2006
Incremental Revenue from Operations	\$ 180,420	\$ 290,312	\$1,591,438
Incremental Total Operating Expense	138,562	499,340	1,862,481
Incremental Gain/(Loss) from Operations	\$ 41,858	\$ 209,028)	\$ (271,043)

21. The projected incremental losses from operations are primarily due to new operating expenses for depreciation associated with the Hospital's cancer center new construction and renovation project. *(February 13, 2004 CON Application, Pages 559 and 567)*
22. The Hospital anticipates that the CON proposal's Stem Cell Transplant Program will be reestablished and will become operational in June 2004, and that the Hospital's cancer center new construction and renovation work will commence in June 2004 and will be completed in June 2005. *(February 13, 2004 CON Application, Pages 18 and 566)*

23. The Hospital's projected payer mix during the first three years of implementation and operation of the CON proposal is as follows: *(February 13, 2004 CON Application, Page 558)*

Table 5: Hospital's Three-Year Projected Payer Mix

Description	Year 1	Year 2	Year 3
Medicare	42.5%	42.5%	42.2%
Medicaid	16.7%	16.7%	16.7%
TriCare	0.2%	0.2%	0.2%
Total Government	59.4%	59.4%	59.1%
Commercial Insurers	35.9%	35.9%	36.2%
Self-Pay	2.0%	2.0%	2.0%
Workers Compensation	0.8%	0.8%	0.8%
Total Non-Government	38.7%	38.7%	39.0%
Uncompensated Care	1.9%	1.9%	1.9%
Total Payer Mix	100.0%	100.0%	100.0%

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

The following findings are made pursuant to the principles and guidelines set forth in Section 19a-637, C.G.S.:

24. There is no State Health Plan in existence at this time. *(February 13, 2004 CON Application, Page 3)*
25. The Hospital has adduced evidence that the proposal is consistent with the Hospital's long-range plan. *(February 13, 2004 CON Application, Page 3)*
26. The Hospital has improved productivity and contained costs by undertaking energy conservation, reengineering, application of new technology and group purchasing activities. *(February 13, 2004 CON Application, Pages 13, 14 and 15)*
27. The proposal will not result in any change to the Hospital's teaching and research responsibilities. *(February 13, 2004 CON Application, Page 15)*
28. There are no distinguishing or unique characteristics of the Hospital's patient/physician mix related to the proposal. *(February 13, 2004 CON Application, Page 15)*
29. The Hospital has sufficient technical, financial and managerial competence and expertise to provide efficient and adequate service to the public. *(February 13, 2004 CON Application, Pages 307 - 508 and March 8, 2004 Completeness Responses, Pages 64 - 69)*

Rationale

Saint Francis Hospital and Medical Center (“Hospital”) is proposing the expansion and renovation of the Hospital’s cancer center, at a total capital expenditure of \$5,430,459. The Hospital’s proposal also includes the reestablishment of the Hospital’s Stem Cell Transplant Program that was previously authorized by the Office of Health Care Access (“OHCA”) on October 7, 1996 under Docket Number 96-536.

Since 1992, the Hospital has experienced a significant growth in volume in the cancer center’s Hematology/Oncology services. The examination and treatment spaces located on the second floor are no longer adequate to meet the present and anticipated future increase in demand for the Hospital’s outpatient Hematology/Oncology services as well as the demand for services related to the Hospital’s Stem Cell Transplant Program that it proposes to reestablish. The current lack of sufficient and adequate cancer center examination and treatment spaces has resulted in overcrowding of waiting areas and causes patients to wait for extended periods of time for their scheduled appointment or treatment. The Hospital’s request for additional examination and treatment spaces would alleviate this problem and would allow the Hospital to evaluate and treat its cancer patients in a more expeditious and effective way.

The Hospital received Certificate of Need (“CON”) authorization from OHCA on October 7, 1996 under Docket Number 96-536 to establish a stem cell transplantation program. Autologous transplantation commenced on a small clinical trial basis, the program was only operational a short time, and only two patients were transplanted. The Hospital did not implement the full Stem Cell Transplant Program authorized by OHCA because significant additional costs associated with additional personnel, space and equipment required for the program would have been incurred by the Hospital to fully implement the authorized Stem Cell Transplant Program. In addition, at that time a similar program was already available at John Dempsey Hospital, and the Hospital recognized that it would neither be necessary nor fiscally prudent to invest a significant amount of its resources in this new technology. CON authorization from OHCA was never sought by the Hospital to terminate the Stem Cell Transplant Program that was previously granted a CON.

Two years ago, Dr. Peter J. Tutschka, the Director of and the physician responsible for the University of Connecticut Health Center’s transplant and immunotherapy programs at John Dempsey Hospital, relocated to Saint Francis Hospital and Medical Center. Shortly thereafter, other key personnel from these programs left John Dempsey Hospital to join Dr. Tutschka at Saint Francis Hospital and Medical Center. Currently, there are no Stem Cell Transplant Program providers located in the Hartford area. Cancer patients currently must travel to Yale-New Haven Hospital, Boston or New York, where numerous stem cell transplant programs are available. To undergo high dose immunotherapy, cancer patients must travel to Boston or New York.

Stem cell transplantation and high dose immunotherapy require special expertise and a sophisticated treatment team for successful patient outcomes. This special expertise is now available at the Saint Francis/Mount Sinai Regional Cancer Center, and the physician specialists responsible for this program have many years of experience with these types of

cancer treatment programs. The Hospital's proposal would prevent the need for local cancer patients to leave the Hartford area, because this program is not available in the region, and would remedy a significant geographic barrier to service access.

The Hospital's actual Hematology/Oncology outpatients visits were 25,103 in FY 2002 and 26,950 in FY 2003, and the Hospital projects that its Hematology/Oncology outpatient visits will be 28,944 in FY 2004, 31,086 in FY 2005 and 33,386 in FY 2006, which do not include outpatient visits related to the Stem Cell Transplant Program. The Hospital also projects incremental Stem Cell Transplant patient days of 55, 107 and 535 in FY 2004, FY 2005 and FY 2006, respectively, and projects incremental Stem Cell Transplant outpatient visits of 38, 96 and 640 in FY 2004, FY 2005 and FY 2006, respectively, due to the proposal. Based on the foregoing reasons, OHCA finds that there is a clear public need for the proposal, and that the proposal will improve both the quality and accessibility of cancer treatment services in the Hartford region.

The proposal's total capital expenditure of \$5,430,459 will be funded entirely by an equity contribution of \$5,430,459 from the Hospital's operating funds. The Hospital projects total facility gains from operations of \$2,594,323 in FY 2004, \$815,218 in FY 2005 and \$493,953 in FY 2006 with the proposal. The Hospital also projects minimal incremental gains/(losses) from operations of \$41,858 in FY 2004, \$(209,028) in FY 2005 and \$(271,043) in FY 2006 due to the proposal. The projected incremental losses from operations are small relative to the size and scope of the Hospital's overall total facility financial projections and are primarily due to new operating expenses for depreciation as a result of the cancer center's new construction and renovations. The Hospital's volume projections and the financial projections upon which they are based appear to be reasonable and achievable. Therefore, OHCA finds that the proposal is both financially feasible and cost effective.

Based upon the foregoing Findings and Rationale, the Certificate of Need application of Saint Francis Hospital and Medical Center for the expansion and renovation of the Hospital's cancer center as well as the reestablishment of the Hospital's Stem Cell Transplant Program, at a total capital expenditure of \$5,430,459, is hereby GRANTED.

Order

Saint Francis Hospital and Medical Center (“Hospital”) is hereby authorized to undertake the expansion and renovation of the Hospital’s cancer center as well as the reestablishment of the Hospital’s Stem Cell Transplant Program, at a total capital expenditure of \$5,430,459, subject to the following conditions:

1. This authorization shall expire on March 31, 2006. Should the Hospital’s cancer center expansion and renovation and Stem Cell Transplant Program reestablishment project not be completed 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 total capital expenditure of \$5,430,459. In the event that the Hospital learns of potential cost increases or expects that final project costs will exceed those approved, the Hospital shall file with OHCA a request for approval of the revised CON project budget.

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

By Order of the
Office of Health Care Access

March 19, 2004

Signed by Cristine A. Vogel
Commissioner

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