



## Office of Health Care Access Certificate of Need Application

### Final Decision

**Applicant:** Bradley Memorial Hospital and Health Center

**Docket Number:** 04-30394-CON

**Project Title:** Construct an On-Campus Medical Office Building

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

**Filing Date:** March 21, 2005

**Decision Date:** May 6, 2005

**Default Date:** June 19, 2005

**Staff:** Steven Lazarus

**Project Description:** Bradley Memorial Hospital and Health Center (“Hospital”) proposes to construct a medical office building on the Hospital’s campus, at a proposed total capital expenditure of \$2,359,023.

**Nature of Proceedings:** On March 21, 2005, the Office of Health Care Access (“OHCA”) received the Certificate of Need (“CON”) application from Bradley Memorial Hospital and Health Center (“Hospital”) seeking authorization to construct a medical office building on the Hospital’s campus, at a proposed total capital expenditure of \$2,359,023. The Hospital is a health care facility or institution as defined in 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 in the *New Britain Herald*, on November 23, 2004, pursuant to Section 19a-639, C.G.S. OHCA received no response from the public concerning the Hospital’s proposal.

OHCA's authority to review and approve, modify or deny the CON application is established by Section 19a-639, 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 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. Bradley Memorial Hospital and Health Center ("Hospital") is a non-profit, acute care hospital, whose main campus is located at 81 Meriden Avenue in Southington, CT. *(January 5, 2005, Letter of Intent, pages 1&4)*
2. The Hospital is proposing to construct a 13,312 square foot medical office building ("MOB") located on the Hospital campus at 209 Main Street, Southington, Connecticut *(March 21, 2005, CON Application, pages 2&10)*
3. The Hospital's primary service area is Southington and the secondary service area is comprised of Berlin, Bristol, Cheshire, Meriden, New Britain and Plainville. *(March 21, 2005, CON Application, page 2)*
4. The need for the proposed new MOB is based on the following factors: *(March 21, 2005, CON Application, page 3)*
  - Improvement in access to care;
  - Expansion of existing physician office space; and
  - Attraction of new physicians to the community.
5. The construction of a new, on-campus MOB will benefit the community in the following ways: *(March 21, 2005, Responses, page 1)*
  - Ability of patients to visit their primary care physician as well as specialists all in one location; and
  - Physicians will be able to utilize modern office spaces with improved space updated examination rooms and more efficient office designs.
6. The Hospital stated that with the current arrangement of dispersed physicians' offices, the proposed MOB will improve access by housing various physician specialties eliminating transportation issues for residents of the service areas. *(March 21, 2005, CON Application, page 4)*
7. The specialties to be located in the MOB are internal medicine, pediatrics, orthopedics, ENT, and general surgery. *(March 21, 2005, Responses, page 1)*

8. The proposed MOB will consolidate existing disparate physician offices into a central location. The following positive results will occur:
  - Facilitating the office visit process for patients through improved facility designs;
  - Improve quality of care through better-designed treatment spaces; and
  - Improve the access to primary care physicians and specialists.*(November 9, 2004, Letter of Intent, Project Description)*
9. The Hospital stated that in accordance with the Hospital's strategic plan, the recruitment and retention of physicians has been determined to be a critical success factor in improving the quality, accessibility and cost efficiency of the health care services delivered to the communities served by the Hospital. *(November 9, 2004, Letter of Intent, Project Description)*
10. The Hospital stated that it will not be providing any clinical services, only physical space. Therefore, the Hospital did not provide any utilization statistics. *(March 21, 2005, CON Application, page 5)*
11. The proposed facility will be located on land owned by the Hospital at 209 Main Street in Southington, CT. The new medical office building will consist of approximately 13,312 square feet. *(March 21, 2005, CON Application, pages 10&11)*
12. The Hospital stated that many of the existing physician offices and treatment areas are in need of renovations. *(November 9, 2004, Letter of Intent, Project Description)*
13. The Hospital will be leasing the space to the physicians who will either provide and/or purchase their own medical equipment as well as furnishings. *(November 9, 2004, Letter of Intent, Project Description)*
14. The project's construction schedule is as follows: *(May 6, 2005, E-Mail Correspondence to OHCA)*

**Table 1: Project Schedule**

<b>Description</b>	<b>Date</b>
Construction Commencement Date	June 15, 2005
Construction Completion Date	January 31, 2006
Operation Commencement Date	January 31, 2006

15. The delivery of care will not be affected by the construction of the new MOB. Existing offices will proceed with their existing hours. *(March 21, 2005, CON Application, page 10)*

**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 Payers for Such Services**

16. The project's total capital expenditure of \$2,359,023 is for construction of a new building. *(March 21, 2005, CON Application, page 10)*
17. The project's capital expenditure will be financed entirely through the Bradley Barnes Endowment. The current balance of the endowment at this time is \$16,326,742. The restrictions on the endowment are for funding of new medical capital purchases and hospital construction. *(March 21, 2005, Responses, page 2)*
18. The Hospital's cash equivalent balance as of the submission date of the CON proposal is \$890,945. *(March 21, 2005, CON Application, page 9)*
19. The Hospital projected incremental non-operating revenues for FYs 2006, 2007 and 2008 as \$23,214, \$4,267 and \$4,267, respectively. *(March 21, 2005, Responses, Attachment G)*
20. The Hospital's current and projected payer mix percentages are not expected to change with the proposal. *(March 21, 2005, CON Application, page 13)*

**Table 2: Hospital's Three-Year Projected Payer Mix**

<b>Description</b>	<b>Current</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
Medicare	54.7%	54.7%	54.7%	54.7%
Medicaid	4.7%	4.7%	4.7%	4.7%
TriCare (CHAMPUS)	1.0%	1.0%	1.0%	1.0%
<b>Total Government</b>	<b>60.4%</b>	<b>60.4%</b>	<b>60.4%</b>	<b>60.4%</b>
Commercial Insurers	37.8%	37.8%	37.8%	37.8%
Uninsured	1.0%	1.0%	1.0%	1.0%
Workers Compensation	0.8%	0.8%	0.8%	0.8%
<b>Total Non-Government</b>	<b>39.6%</b>	<b>39.6%</b>	<b>39.6%</b>	<b>39.6%</b>
<b>Total Payer Mix</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

## 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.:

21. There is no State Health Plan in existence at this time. *(March 21, 2005, CON Application, page 2)*
22. The Hospital has adduced evidence that the proposal is consistent with the Hospital's long-range plan. *(March 21, 2005, CON Application, page 2)*
23. The Hospital has improved productivity and contained costs by undertaking energy conservation measures, group purchasing, reengineering, and applications of technology. *(March 21, 2005, CON Application, pages 6&7)*
24. The proposal will not result in any change to the Hospital's teaching and research responsibilities. *(March 21, 2005, CON Application, page 8)*
25. The Hospital's current patient/physician mix is similar to that of other acute care, tertiary hospitals in the region. The proposal will not result in any change to this mix. *(March 21, 2005, CON Application, page 8)*
26. The Hospital has sufficient technical, financial and managerial competence and expertise to provide efficient and adequate service to the public. *(March 21, 2005, CON Application, page 5 and Attachment A)*
27. The Hospital's rates are sufficient to cover the proposed capital expenditure and operating costs associated with the proposal. *(March 21, 2005, Responses, Attachment G)*

## **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.

Bradley Memorial Hospital and Health Center (“Hospital”) is a non-profit, acute care general hospital, whose main campus is located at 81 Meriden Avenue in Southington, CT. The Hospital is proposing to construct a new, on-campus Medical Office Building (“MOB”) located at 209 Main Street in Southington, CT to provide office space to physicians practicing at the Hospital. The specialties to be located in the MOB are internal medicine, pediatrics, orthopedics, ENT, and general surgery. The Hospital’s primary service area is Southington and the secondary service area is comprised of Berlin, Bristol, Cheshire, Meriden, New Britain and Plainville. The need for the proposed new MOB is based on improvement in access to care, expansion of existing physician office space, and attraction of new physicians to the community.

The construction of a new, on-campus MOB will allow patients to visit their primary care physician as well as specialists all in one location, and physicians will be able to utilize modern office spaces with improved space updated examination rooms and more efficient office designs. The Hospital stated that with the current arrangement of dispersed physicians’ offices, the proposed MOB will improve access by housing various physician specialties eliminating transportation issues for residents of the service areas. The Hospital stated that many of the existing physician offices and treatment areas are in need of renovations. The proposed MOB will consolidate existing disparate physician offices into a central location, which will facilitate the office visit process for patients through improved facility designs; improve quality of care through better-designed treatment spaces; and improve the access to primary care physicians and specialists. Existing offices will proceed with their existing hours during construction of the 13,312 square foot building. The Hospital will be leasing the space to the physicians who will either provide and/or purchase their own medical equipment as well as furnishings. The proposed MOB will allow the Hospital to retain current physicians and attract new ones without disrupting the continuity of care. Based on the above, OHCA finds that the Hospital has demonstrated that its request for the construction of a new MOB will contribute to the accessibility and quality of health services in the region.

The project’s total capital expenditure of \$2,359,023 is for construction of a new building, which will be financed entirely through the Bradley Barnes Endowment. The current balance of the endowment at this time is \$16,326,742. The restrictions on the endowment are for funding of new medical capital purchases and hospital construction. The Hospital’s cash equivalent balance as of the submission date of the CON proposal is \$890,945. The Hospital projects incremental non-operating revenue of \$23,214, \$4,267

and \$4,267 for FYs 2006, 2007, and 2008, respectively. Therefore, OHCA finds that the Hospital's proposal will not only improve the access to care for the community it serves, but that the Hospital's proposal is also financially feasible and cost-effective.

Based on the foregoing Findings and Rationale, the Certificate of Need application of Bradley Memorial Hospital and Health Center ("Hospital") to construct a medical office building on the Hospital's campus, at a proposed total capital expenditure of \$2,359,023, is hereby GRANTED.

## **Order**

Bradley Memorial Hospital and Health Center ("Hospital") is hereby authorized to construct a medical office building on the Hospital's campus, at a proposed total capital expenditure of \$2,359,023, subject to the following conditions:

1. This authorization shall expire on December 30, 2007. Should the Hospital's project not be completed by that date, the Hospital must seek further approval from OHCA to complete the project beyond date.
2. The Hospital shall not exceed the approved capital expenditure of \$2,359,023. In the event that the Hospital learns of potential cost increases or expects that the 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

May 6, 2005

Signed by Cristine A. Vogel  
Commissioner

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