



Office of Health Care Access Certificate of Need Application

Final Decision

Applicant: Saint Francis Hospital and Medical Center

Docket Number: 04-30407-CON

Project Title: Construction of an New Parking Garage

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

Filing Date: February 13, 2005

Decision Date: April 14, 2005

Default Date: May 15, 2005

Staff Assigned: Jack A. Huber

Project Description: Saint Francis Hospital and Medical Center proposes to construct a new parking garage on the Hospital campus, at a total proposed capital expenditure of \$11,332,853.

Nature of Proceedings: On February 14, 2005, the Office of Health Care Access (“OHCA”) received a Certificate of Need (“CON”) application from Saint Francis Hospital and Medical Center (“Hospital”) seeking authorization to construct a new parking garage on the Hospital campus, at a total proposed capital expenditure of \$11,332,853. 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 in the *Hartford Courant*, on December 28, 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. Saint Francis Hospital and Medical Center ("Hospital") is an acute care, tertiary hospital located at 114 Woodland Street, Hartford, Connecticut. *(February 14, 2005, CON Application, page 2)*
2. The Hospital proposes to build a new 700 vehicle parking garage, at an total proposed capital expenditure of \$11,332,853. *(February 14, 2005, CON Application, page 2)*
3. The Hospital stated that the proposal, which would create a second on-campus parking facility, is needed to meet the increased demand for vehicular parking at the Hospital campus. *(February 14, 2005, CON Application, page 2)*
4. The construction project will allow the Hospital to relocate and consolidate all employee, student and full-time physician parking from the existing parking garage to the proposed parking structure; thereby:
 - Freeing additional parking spaces for patients and visitors in the existing Collins Street parking garage; and
 - Reducing the Hospital's reliance and operating expenses associated with the leasing of properties to provide surface area parking in lots situated around the Hospital campus.
(February 14, 2005, CON Application, page 9)
5. The volume of patients served by the Hospital has grown over the last several years. Current Hospital service volumes are approximately 32,000 inpatient admissions and 139,000 outpatient visits annually. *(February 14, 2005, CON Application, page 3)*
6. In addition to the parking demand created by Hospital patients, their family members and other visitors, the Hospital provides parking for over 3,000 employees, 600 physicians and a large number of students, vendors and contract personnel that need to access the Hospital campus. *(February 14, 2005, CON Application, page 3)*
7. The current number of vehicular parking spaces on-campus totals 2,696 spaces. The Hospital operates one parking garage, the Collins Street Garage with 855 parking spaces and 16 surface lots, which are located around the Hospital campus and total 1,841 parking spaces. *(February 14, 2005, CON Application, pages 3 & 4)*
8. Over time the demand for parking at the Hospital campus has increased to the point that the existing parking garage and surface lots have reached their capacity. *(February 14, 2005, CON Application, page 3)*

9. The Hospital’s parking consultant study identified the number of existing and practical parking spaces, as identified in Table 1 below. When a 90% “practical capacity” adjustment factor is applied to the existing facility numbers to represent the most efficient parking utilization, the number of spaces is reduced to 2,426. The usage adjustment is made to reflect that all parking systems need some additional capacity in spaces to allow for peak demand. *(February 14, 2005, CON Application, pages 3 through 5)*

Table 1: Campus Parking Space Numbers

Parking Type:	Existing Capacity	Practical Capacity
Collins St. Garage	855	770
Surface Lots	1,841	1,656
Total Parking Spaces	2,696	2,426

10. On November 5, 2004, the parking consultant performed an evaluation of actual parking usage in the existing garage and in each of the lots at 10:30 am and 12:00 pm. The results of the consultant’s analysis are presented in Table 2. *(February 14, 2005, CON Application, pages 3 through 7)*

Table 2: Actual Usage Verses Practical Capacity

Type:	Daytime Actual Usage	Nighttime Actual Usage	Daytime Practical Capacity*	Nighttime Practical Capacity*
Collins St. Garage	830	787	830	787
Surface Lots	1,699	1,677	1,699	1,677
Total Parking Spaces	2,529	2,464	2,528	2,464
Total Percent Occupancy Adjusted	94%	91%	104.3%	101.5%

* 90% Capacity Adjustment

12. The parking consultant calculated the size of the Hospital campus parking deficit to be approximately 615 parking spaces by estimating the number of additional parking spaces required to satisfy the proposed parking plan. This is based upon the following: *(February 14, 2005, CON Application, pages 27 & 28)*
- Current on-campus deficit yielding a need for 103 additional spaces;
 - Hospital’s growth projections were reviewed and were then translated into parking demand yielding 66 additional parking spaces;
 - Elimination of two surface lots and absorption of their attributable number of spaces yielding a need for 310 additional spaces; and
 - Surface spaces sacrificed and absorbed, if a new parking garage is to be built yielding a need for an additional 136 spaces.
13. The Hospital believes that the parking consultant’s assessment and recommendations represent the best way to describe the current campus parking situation and to project the future parking needs at the Hospital campus. *(February 14, 2005, CON Application, page 8)*
14. The Hospital considered two options based on the recommendations of the Consultant to improve traffic flow and address the shortage of existing parking space at the Hospital campus. The two options were: *(February 14, 2005, CON Application, page 8)*

- **Option 1:** Proposes to add an additional floor to the Collins Street garage. This option was dismissed as the current structure can not be easily modified vertically and attempting to modify the existing structure would be cost prohibitive.
 - **Option 2:** Proposes to construct a new garage on an existing surface lot. Focus was directed to Lot A on the west side of Woodland Street. The prospective site was identified in this assessment as the preferable location for this type of structure and activity.
15. The benefits associated with the selection of the Lot A as the proposed site for the parking garage include: *(February 14, 2005, CON Application, page 14)*
- The property is owned by Saint Francis Hospital and Medical Center;
 - Adjacent properties are owned by the Hospital or are institutional in nature, thereby, dampening any negative impact which may be generated by the operation of the garage on residential neighborhoods;
 - Access to and use of the existing parking spaces behind the garage construction site on Lot A can be maintained during the new construction;
 - Expansion potential exists to accommodate long-term operations of a parking garage at that site; and
 - The overhead pedestrian connector could be provided directly to the Hospital in a secured area.
16. Construction plans provide for a three bay, five level garage consisting of 210,700 total square feet. The structure will contain 700 parking spaces with a pedestrian bridge over Woodland Street. The overhead pedestrian bridge will connect to one of the Hospital elevator cores. A centrally located main stairwell and elevators will provide for vertical pedestrian travel within the parking facility. *(February 14, 2005, CON Application, page 14 and Attachment 6, page 101)*
17. The project schedule is as follows: *(February 14, 2005, CON Application, page 14)*

Table 3: Proposed Construction Schedule

Description	Date
Construction Commencement Date	May 15, 2005
Construction Completion Date	December 31, 2005
Operation Commencement Date	December 31, 2005

18. The project has been designed in a manner which will allow for Hospital services to be provided in an uninterrupted fashion. *(February 14, 2005, CON Application, page 14)*

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

21. The total capital expenditure for the proposal is itemized in the following table:
(February 14, 2005, CON Application, page 15)

Table 3: Capital Expenditure Itemization

Description	Component Cost
Building Work	\$9,010,075
Site Work	\$769,746
Off-site Work	\$256,480
Architectural/Engineering	\$779,794
Contingency	\$516,758
Total Capital Expenditure	\$11,332,853

22. The proposed capital expenditure will be financed entirely through Hospital funded depreciation. *(February 14, 2005, CON Application, page 16)*
23. The Hospital's cash equivalent balance as of the submission date of the CON proposal is sufficient to cover the capital expenditure associated with the project. *(February 14, 2005, CON Application, page 87)*
24. With no project impact on Hospital operations for FY 2005, the Hospital projected incremental revenue from operations, total operating expense and losses from operations associated with the implementation of the proposal for FY 2006 and FY 2007 as follows: *(February 14, 2005, CON Application, Attachment 7, page 104)*

Table 4: Hospital's Financial Projections for FYs 2006 and 2007

Description	FY 2006	FY 2007
Incremental Revenue from Operations	\$135,000	\$180,000
Incremental Total Operating Expense	\$206,103	\$425,909
Incremental Loss from Operations	(\$71,103)	(\$245,909)

25. The projected incremental losses from operations are primarily due to increased depreciation expense associated with the capital expenditure made in the earlier years of implementation of the CON proposal. *(February 14, 2005, CON Application, Attachment 7, page 104)*
26. The current and projected payer mix percentages for the first three years of operating the proposed garage is as follows: *(February 14, 2005, CON Application, Attachment 7)*

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

Description	Current	Year 1	Year 2	Year 3
Medicare	43.7%	43.7%	43.7%	43.7%
Medicaid	15.6%	15.6%	15.6%	15.6%
TriCare (CHAMPUS)	0.2%	0.2%	0.2%	0.2%
Total Government	59.5%	59.5%	59.5%	59.5%
Commercial Insurers	35.6%	35.6%	35.6%	35.6%
Self-Pay	2.0%	2.0%	2.0%	2.0%
Workers Compensation	0.7%	0.7%	0.7%	0.7%
Total Non-Government		38.3%	38.3%	38.3%
Uncompensated Care	2.3%	2.3%	2.3%	2.3%
Total Payer Mix	100.0%	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.:

28. There is no State Health Plan in existence at this time. *(February 14, 2005, CON Application, page 3)*
29. The Hospital has adduced evidence that the proposal is consistent with the Hospital's long-range plan. *(February 14, 2005, CON Application, page 3)*
30. The Hospital has improved productivity and contained costs by undertaking energy conservation measures regarding its facilities; participating in activities involving the application of new technology; and employing group purchasing practices in its procurement of supplies and equipment. *(February 14, 2005, CON Application, page 11)*
31. The proposal will not result in any change to the Hospital's teaching and research responsibilities. *(February 14, 2005, CON Application, page 12)*
32. 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. *(February 14, 2005, CON Application, page13)*
33. The Hospital has sufficient technical, financial and managerial competence and expertise to provide efficient and adequate service to the public. *(February 14, 2005, CON Application, page 10 and Attachment, pages 42-48)*
34. The Hospital's rates are sufficient to cover the proposed capital expenditure and operating costs associated with the proposal. *(February 14, 2005, CON Application, page17 and Attachment 7, pages 102-111)*

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.

Saint Francis Hospital and Medical Center (“Hospital”) is an acute care, tertiary hospital located at 114 Woodland Street, Hartford, Connecticut. The Hospital proposes to build a new 700 vehicle parking garage, at a total proposed capital expenditure of \$11,471,035. The proposal, which would create a second on-campus parking facility, is needed to meet the increasing demand for vehicular parking on the Hospital campus.

The volume of patients served by the Hospital has grown over time. Hospital service volumes are approximately 32,000 inpatient admissions and 139,000 outpatient visits annually. In addition to the parking demand created by Hospital patients, their family members and other visitors, the Hospital provides parking for over 3,000 employees, 600 physicians and a large number of students, vendors and contract personnel that need to access the Hospital campus. The current number of parking spaces on-campus totals 2,696 spaces. The Hospital operates one parking garage, the Collins Street Garage with 855 parking spaces and 16 surface lots, which are located around the Hospital campus and total 1,841 parking spaces. Currently the demand for parking at the Saint Francis campus has increased to the point that the existing parking garage and surface lots have reached their capacity.

The Hospital’s parking consultant conducted an assessment of the Hospital campus parking and provided the Hospital with recommendations addressing the future needs of Hospital campus parking. The utilization assessment concluded that as the current practical parking supply is operating between 101.5% and 104.3% of capacity, the demand for Hospital parking exceeds the current supply of Hospital parking spaces. The option recommended by the parking consultant and accepted and approved by the Hospital is to construct a new garage on an existing Hospital surface lot. Primary focus was directed to Lot A on the west side of Woodland Street. The prospective site was identified as the preferable location for this type of structure and activity. The benefits associated with the selection of the Lot A as the preferred site for the parking garage include: the property is owned by the Hospital as is other adjacent properties, thereby, decreasing the likelihood that negative feelings may be generated by residents within the neighborhood concerning the operation of the garage; expansion potential exists to accommodate the long-term operations of a parking garage at that site; and the overhead pedestrian connector could be provided directly to the Hospital in a secured area.

The construction project will allow the Hospital to accomplish the three primary parking system objectives. First, the new garage will allow the Hospital to relocate and consolidate all employee, student and full-time physician parking from the existing Collins Street parking garage to the proposed parking structure. Secondly, designating the

proposed garage employee, student and physician parking will free additional parking spaces for patients and visitors in the existing Collins Street garage. Lastly, the proposal will allow the Hospital to reduce its reliance on the leasing of properties for the purpose of providing surface area parking in lots situated around the Hospital campus.

Construction plans provide for a three bay, five level garage consisting of 210,700 total square feet of space. The structure will contain 700 parking spaces with a pedestrian bridge over Woodland Street. The overhead pedestrian bridge will connect to one of the Hospital elevator cores. A centrally located main stairwell and elevators will provide for vertical pedestrian travel within the facility. The new construction project will take seven and one-half months to complete, commencing May 15, 2005 and concluding December 31, 2005. The project has been designed in a manner which will allow for Hospital services to be provided in an uninterrupted fashion.

Based on the above, OHCA finds that the Hospital has demonstrated that the construction of a new parking garage is needed for the Hospital to continue to provide adequate campus parking to patients, visitors, physicians, hospital staff and other individuals needing access to the Hospital campus. Furthermore, the proposal will contribute to improved accessibility by those individuals seeking their health care services at Saint Francis Hospital and Medical Center.

The total capital expenditure for the proposal is \$11,332,853. The Hospital will finance the project entirely through Hospital funded depreciation. The Hospital projects incremental losses from operations in the early years of the proposal's implementation. While the projected incremental losses are primarily due to increasing depreciation expense associated with the proposal, the projected losses are not significant based on the overall scope of the building project and affect the proposal has on the financial condition of the Hospital. Therefore, OHCA finds that the Hospital's proposal will not only improve the accessibility for those individuals seeking Hospital programs and services, but that the Hospital's proposal is also financially feasible and cost-effective.

Based upon the foregoing Findings and Rationale, the Certificate of Need application of Saint Francis Hospital and Medical Center to construct a new parking garage on the Hospital campus, at a total proposed capital expenditure of \$11,332, 853 is, hereby, GRANTED.

Order

Saint Francis Hospital and Medical Center (“Hospital”) is hereby authorized to construct a new parking garage on the Hospital campus, at a total capital expenditure of \$11,332, 853, subject to the following conditions:

1. This authorization shall expire on December 31, 2006. 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 \$11,332,853. 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

April 14, 2005

Signed by Cristine A. Vogel
Commissioner

CAV:jah