



## Office of Health Care Access Certificate of Need Application

### Final Decision

**Applicant:** MidState Medical Center

**Docket Number:** 05-30426-CON

**Project Title:** Construct an On-Campus Administrative Support Services Building

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

**Filing Date:** March 7, 2002

**Decision Date:** May 5, 2005

**Default Date:** June 5, 2005

**Staff:** Jack A. Huber

**Project Description:** MidState Medical Center (“Hospital”) proposes to construct an administrative support services building on the Hospital’s campus, at a proposed total capital expenditure of \$7,377,000.

**Nature of Proceedings:** On March 7, 2005, the Office of Health Care Access (“OHCA”) received the Certificate of Need (“CON”) application from MidState Medical Center (“Hospital”) seeking authorization to construct an administrative support services building on the Hospital’s campus, at a proposed total capital expenditure of \$7,377,000. 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 *Record-Journal* (Meriden), on January 21, 2005, 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. MidState Medical Center ("Hospital") is a non-profit, acute care hospital, whose main campus is located at 435 Lewis Avenue in Meriden, CT. *(January 5, 2005, Letter of Intent, pages 1 & 4)*
2. On December 21, 1990, the Commission on Hospitals and Health Care (predecessor to the Office of Health Care Access) signed an agreed settlement with Meriden-Wallingford Hospital, a non-profit, acute care hospital in Meriden, CT, and World War II Veterans Memorial Hospital, a City of Meriden-owned, non-profit, acute care hospital, located at 883 Paddock Avenue in Meriden, CT (collectively termed the "Hospitals"), authorizing the Hospitals to integrate for the purpose of ownership, governance and control and to form a new acute care hospital organization under the new name of Veterans Memorial Medical Center, the predecessor to the current MidState Medical Center. *(December 21, 1990, Agreed Settlement, cover letter and pages 1 through 6)*
3. Since the early 1990's the Hospital has leased facility space located at 883 Paddock Avenue, Meriden from the City of Meriden. The site, which is considered and known as the Hospital's East Campus, contains the following programs and administrative services: *(March 7, 2005, CON Application, pages 3 & 4)*
  - MediQuick – a walk-in urgent care center;
  - Cardiac Rehabilitation;
  - Diabetes Education and Community Wellness;
  - Community Relations;
  - Infectious Disease; and
  - Fund Development/Volunteers.
4. In addition, various outpatient services have been and continue to be offered at the Hospital's East Campus. All acute care inpatient hospital services were terminated at the Paddock Avenue site in November 1995. *(March 7, 2005, CON Application, page 3)*

The Hospital also has an on-campus Medical Office Building (“MOB”) located at 455 Lewis Avenue, Meriden, CT. The Hospital departments and services currently located in the Medical Office Building that will be relocated to the proposed support services building are: *(January 5, 2005, Letter of Intent, page 2 and March 7, 2005, CON Application, page 4)*

- Health Information Management;
  - Information Systems;
  - Medical Staff Office;
  - Service Access
  - Continuous Quality Improvement;
  - Human Resources; and
  - Employee Education.
5. The Hospital is proposing to construct an on-campus administrative support services building that will be situated adjacent to and connected with the main Hospital facility, at a proposed total capital expenditure of \$7,377,000. *(March 7, 2005, CON Application, pages 2&10)*
  6. The Hospital’s service area for the proposal includes the towns of Berlin, Cheshire, Durham, Meriden, Middletown, Middlefield, Southington and Wallingford. *(January 5, 2005, Letter of Intent, page 2)*
  7. The need for the proposed new building is based on the following factors: *(March 7, 2005, CON Application, page 4)*
    - The City exercising its option to reacquire its property at 883 Paddock Avenue, Meriden;
    - The Hospital’s lack of adequate space to accommodate the programs and services requiring relocation; and
    - The current demand for outpatient and medical specialty office space on the Hospital’s campus.
  8. On October 12, 2004, the MidState Medical Center was notified in a letter from the City of Meriden (“City”) of the City’s intent to reacquire title to the Hospital’s East Campus on October 17, 2005. Pursuant to Section 8.3 of the Integration Agreement between Meriden-Wallingford Hospital and World War II Veterans Memorial Hospital, the City is able to reacquire the former World War II Veterans Memorial Hospital land and facilities upon a one year written notification to the Hospital. *(March 7, 2005, CON Application, page 4)*
  9. The construction of a new, on-campus support services building will allow the Hospital to achieve the following objectives: *(March 7, 2005, CON Application, pages 2 and 3)*
    - Relocation of the existing services and programs currently located at the Hospital’s East Campus location to its main campus;
    - The creation of additional space to allow the MOB to be used for patient-related services and programs; and

- The creation of desired amenities within the proposed building that will benefit the employees of the Hospital.
10. The department and services that will be relocated from the East Campus location to the Medical Office Building will occupy an aggregate 4,000 square feet (“sq.ft.”) and will include: *(March 7, 2005, CON Application, page 4)*
- Cardiac Rehabilitation at 1,500 sq.ft.;
  - Diabetes Education and Community Wellness at 1,900 sq.ft.; and
  - Infectious Disease at 600 sq.ft.
11. The Hospital indicates that its MOB is currently being constrained by the lack of space for growth of its outpatient programs and by the increasing demand for on-campus medical specialty office space. *(January 5, 2005, Letter of Intent, page 2)*
12. The proposed amenities that have been included in the design plans of the proposed support services building include: *(March 7, 2005, CON Application, page 3)*
- Employee Gymnasium ;
  - Human Resources Recruitment Center;
  - Additional Conference Space ;
  - Hoteling offices for Hospital departments remaining off-campus (as an example: the Finance Department currently located in Newington, CT) ; and
  - Staff Lounge Space.
13. The City of Meriden has asked the Hospital to maintain the MediQuick Urgent Care Program at the Paddock Avenue site. The Hospital has provided assurances to the City that it will continue to operate this service on the east side of Meriden. *(January 5, 2005, Letter of Intent, page 5 and March 7, 2005, CON Application, page 18)*
14. The relocation of the MediQuick Urgent Care Program is not included as a part of this proposal. *(January 5, 2005, Letter of Intent, page 5 and March 7, 2005, CON Application, page 18)*
15. The services configuration of the support services building is identified in the following table: *(March 7, 2005, CON Application, page 3)*

**Table 1: Services Configuration for the New Building**

<b>Administrative Services:</b>	
Care Management	Information Services
Community Relations	Medical Staff Office
Continuous Quality Improvement	Nursing Administration
Employee Education	Risk Management
Fund Development	Service Access
Health Information Management	Volunteer Services
Human Resources	Administrative Resources

16. MidState Medical Center is not requesting any additional new programs or services to the complement of programs and services currently offered by the Hospital. Therefore, the Hospital did not provide current utilization statistics for the services. (March 7, 2005, CON Application, page 2)
17. Construction plans provide for a new two-story, 33,000 gross square foot office building connected to the existing Hospital's main structure with a grade-level walkway connection. A central connector designed to coordinate with the Hospital main corridor space will extend from west to east providing efficient and clear circulation. (March 7, 2005, CON Application, page 12)
18. An itemization of the proposal's 33,000 gross square feet allocated by categories describing the Hospital's need for the proposed space is as follows: (April 29, 2005, CON Application Response, page 2)

**Table 2: Building Space Itemization**

<b>Category Description</b>	<b>Sq. Ft. Allocation</b>	<b>Percentage Allocation</b>
East Campus Services Relocation	1,915	5.8%
Medical Office Building Services Transferred	10,320	31.2%
Other Hospital Services <sup>1</sup>	6,265	19.0%
Gymnasium for Hospital Employees	1,560	4.7%
Shell Space for Future Development <sup>2</sup>	3,100	9.3%
Building Support Functions- HVAC/Circulation	9,840	30.0%
<b>Total Proposed New Building Space</b>	<b>33,000</b>	<b>100.0%</b>

19. The project's construction schedule is as follows: (March 7, 2005, CON Application, page 13)

**Table 3: Project Schedule**

<b>Description</b>	<b>Date</b>
New Construction Commencement Date	Upon CON Approval
New Construction Completion Date	November 2005
Operation Commencement Date	November 2005

20. The project has been designed in a manner which will allow for Hospital services to be provided in an uninterrupted fashion. (March 7, 2005, CON Application, page 13)

<sup>1</sup> Other Hospital Services identified as Nursing Administration, Care Management and Risk Management.

<sup>2</sup> Each level of the Administrative Support Services Building will have 1,550 set aside for future use.

**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 Applicant's Current Utilization Statistics**  
**Impact of the Proposal on the Interests of Consumers of Health Care Services and Payers for Such Services**

21. The project's capital expenditure is itemized in the following table: *(January 5, 2005, Letter of Intent, page 3 and March 7, 2005, CON Application, pages 11 & 12)*

**Table 4: Capital Expenditure Itemization**

<b>Description</b>	<b>Component Cost</b>
Building Work	\$5,820,000
Non-Medical Equipment	\$250,000
Architectural/Engineering	\$627,000
Contingency	\$300,000
Other	\$380,000
<b>Total Capital Expenditure</b>	<b>\$7,377,000</b>

22. The project's capital expenditure will be financed entirely through Hospital operating funds. *(March 7, 2005, CON Application, page 13)*
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. *(March 7, 2005, CON Application, page 10)*
24. With there being no project impact on Hospital operations anticipated 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: *(March 7, 2005, CON Application, page 38)*

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

<b>Description</b>	<b>FY 2006</b>	<b>FY 2007</b>
Incremental Revenue from Operations	\$78,000	\$160,000
Incremental Total Operating Expense	\$118,000	\$186,000
<b>Incremental Loss from Operations</b>	<b>(\$40,000)</b>	<b>(\$26,000)</b>

25. The projected incremental losses from operations are due to increased depreciation expense associated with the project's capital expenditure made in the earlier years of implementation of the CON proposal. *(March 7, 2005, CON Application, page 38)*
26. The current and projected payer mix percentages for the first three years of operating the proposed garage is as follows: *(March 7, 2005, CON Application, page 15)*

**Table 5: 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	61%	61%	61%	61%
Medicaid	9%	9%	9%	9%
TriCare (CHAMPUS)	0%	0%	0%	0%
<b>Total Government</b>	<b>70%</b>	<b>70%</b>	<b>70%</b>	<b>70%</b>
Commercial Insurers	27%	27%	27%	27%
Uninsured	3%	3%	3%	3%
Workers Compensation	0%	0%	0%	0%
<b>Total Non-Government</b>	<b>30%</b>	<b>30%</b>	<b>30%</b>	<b>30%</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.:

27. There is no State Health Plan in existence at this time. *(March 7, 2005, CON Application, page 2)*
28. The Hospital has adduced evidence that the proposal is consistent with the Hospital's long-range plan. *(March 7, 2005, CON Application, page 3)*
29. The Hospital has improved productivity and contained costs by undertaking energy conservation measures regarding its facilities and employing group purchasing practices in its procurement of supplies and equipment. *(March 7, 2005, CON Application, page 9)*
30. The proposal will not result in any change to the Hospital's teaching and research responsibilities. *(March 7, 2005, CON Application, page 10)*
31. 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 7, 2005, CON Application, page 10)*
32. The Hospital has sufficient technical, financial and managerial competence and expertise to provide efficient and adequate service to the public. *(March 7, 2005, CON Application, pages 6 through 8)*
33. The Hospital's rates are sufficient to cover the proposed capital expenditure and operating costs associated with the proposal. *(March 7, 2005, CON Application, page 38)*

## 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.

MidState Medical Center (“Hospital”) is a non-profit, acute care general hospital, whose main campus is located at 435 Lewis Avenue in Meriden, CT. The Hospital is proposing to construct a new, on-campus administrative support services building that will be situated adjacent to and connected with the main Hospital facility. The municipalities intended to be served by the proposal include Berlin, Cheshire, Durham, Meriden, Middletown, Middlefield, Southington and Wallingford.

Since the early 1990’s the Hospital has leased facility space located at 883 Paddock Avenue, Meriden from the City of Meriden. The site, which is considered and known as the Hospital’s East Campus, contains several of the Hospital’s administrative departments. In addition, various outpatient services have been and continue to be offered at the Hospital’s East Campus. The City of Meriden notified the Hospital of its intent to reacquire the East Campus, the former World War II Veterans Memorial Hospital land and facilities. Through receipt of the City’s notification, the Hospital is required to locate adequate space to accommodate its East Campus administrative and health services, which now must vacate the Paddock Avenue site. In addition, the Hospital’s on-campus Medical Office Building (“MOB”) is currently being constrained by the lack of space for growth of its outpatient programs and by the increasing demand for on-campus medical specialty office space.

The need for the proposed new administrative support services building is primarily based on the City exercising its option to reacquire its property at 883 Paddock Avenue, Meriden with the Hospital’s lack of adequate space to accommodate the programs and services requiring relocation from the East Campus to the Hospital’s main campus and the current demand for outpatient and medical specialty office space on the Hospital’s campus. In addition to these circumstances, the Hospital wishes to improve some of the workplace amenities for the benefit of its employees and provide a modest amount of shell space for future Hospital development. The proposed amenities that have been included in the design plans of the proposed support services building are as follows: the availability of a Human Resources Recruitment Center, employee gymnasium , additional conference space, hoteling offices for personnel whose departments remaining off-campus, and staff lounge space. The new building proposal will allow for the relocation of existing East Campus services; the creation of additional space to allow the MOB to be used for patient-related services; the creation of certain amenities that will benefit the employees of the Hospital and shell space for future hospital development.



The City of Meriden has asked the Hospital to maintain the MediQuick Urgent Care Program at the Paddock Avenue site. The Hospital has provided assurances to the City that it will continue to operate this service on the east side of Meriden. The relocation of the MediQuick Urgent Care Program is not included as a part of this CON proposal. MidState Medical Center is not requesting the addition of any new programs or services to the complement of programs and services currently offered by the Hospital.

Construction plans provide for a new two-story, 33,000 gross square foot office building connected to the existing Hospital's main structure with a grade-level walkway connection. A central connector designed to coordinate with the Hospital main corridor space will extend from west to east providing efficient and clear circulation. 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 its request for the construction of a new administrative support services building will contribute to the accessibility and quality of health services to the region.

The total capital expenditure for the proposal is \$7,377,000. The Hospital will finance the project entirely through Hospital operating funds. 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 on the foregoing Findings and Rationale, the Certificate of Need application of MidState Medical Center ("Hospital") to construct an administrative support services building on the Hospital's campus, at a proposed total capital expenditure of \$7,377,000, is hereby GRANTED.

**Order**

MidState Medical Center (“Hospital”) is hereby authorized to construct an administrative support services building on the Hospital’s campus, at a proposed total capital expenditure of \$7,377,000, subject to the following conditions:

1. This authorization shall expire on November 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 \$7,377,000. 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 5, 2005

Signed by Cristine A. Vogel  
Commissioner

CAV:jah