



Office of Health Care Access Certificate of Need Application

Final Decision

Applicant: Essent Healthcare of Connecticut, Inc. d/b/a Sharon Hospital

Docket Number: 06-30801-CON

Project Title: Establish Lithotripsy Service Under Sharon Hospital's License

Statutory Reference: Section 19a-638 Connecticut General Statutes

Filing Date: November 17, 2006

Decision Date: January 2, 2007

Default Date: February 15, 2007

Staff Assigned: Paolo Fiducia

Project Description: Essent Healthcare of Connecticut, Inc. d/b/a Sharon Hospital ("Hospital") proposes to establish a portable lithotripsy service. The proposal has a capital cost of \$450,000, which represents the fair market value of the lithotripsy equipment.

Nature of Proceedings: On November 17, 2006, the Office of Health Care Access ("OHCA") received Essent Healthcare of Connecticut, Inc. d/b/a Sharon Hospital's Certificate of Need ("CON") application seeking authorization to establish a portable lithotripsy service at 50 Hospital Hill Road, Sharon, Connecticut. The proposal has a capital cost of \$450,000, which represents the fair market value of the lithotripsy equipment. The Hospital is a health care facility or institution as defined by Section 19a-630 of the Connecticut General Statutes ("C.G.S.").

Pursuant to Section 19a-638, C.G.S., a notice to the public concerning OHCA's receipt of the Applicant's Letter of Intent was published in *Waterbury Republican American* of Waterbury on August 6, 2006. OHCA received no responses from the public concerning the Applicant's proposal. Pursuant to Public Act 05-75, three individuals or an individual representing an entity with five or more people had until December 8, 2006, the twenty-first calendar day following the filing of the Applicant's CON Application, to request that OHCA hold a public hearing on the Applicant's proposal. OHCA received no hearing requests from the public by December 8, 2006.

OHCA's authority to review and approve, modify or deny this application is established by Section 19a-638, 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 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. Sharon Hospital ("Hospital") is a for profit hospital, owned by Essent Healthcare, Inc. located at 50 Hospital Hill Road, Sharon, Connecticut. (*July 21, 2006, Letter of Intent, page 2*)
2. The Hospital's primary service area includes the towns of Sharon, Salisbury, Kent, Cornwall, and Canaan. (*November 17, 2006, CON Application, page 3*)
3. The Hospital proposes to establish a portable lithotripsy service. The Hospital does not currently offer lithotripsy services. The Hospital stated that currently, patients who require lithotripsy services must travel at least 45 minutes to the nearest provider. (*November 17, 2006, CON Application, page 2*)
4. On March 8, 2005, under Docket Number: 04-30379-CON, the Hospital was authorized to establish a portable lithotripsy service, at a total capital expenditure of \$485,000 pursuant to Section 19a-638 of the Connecticut General Statutes. (*March 8, 2005, OHCA Docket Number 04-30379-CON*)
5. The Hospital stated that portable lithotripsy services have not commenced. Prior to March 8, 2006 the Hospital was notified by Connecticut Lithotripsy, LLC that they were being sold to Continental Connecticut Lithotripsy, LLC, which nullified the contract. (*June 22, 2006, Letter from the Hospital*)
6. The Hospital based the need for the lithotripsy service on the following:
 - Quality of Care Improvements
 - Improved Patient Access to Services(*November 17, 2006, CON Application, page 2*)

7. The Hospital proposes to enter into an agreement with UMS Connecticut Lithotripsy, Limited Partnership for the provision of the lithotripsy service. UMS Connecticut Lithotripsy, LP will provide the Hospital with a Dornier Compact Delta Lithotripsy system that has a fair market value of \$450,000. *(July 17, 2006, Letter of Intent, page 8)*
8. There are currently two physicians with privileges at the Hospital who will utilize the lithotripsy service. The two physicians estimate that approximately 36 procedures, (three (3) per month) will be performed annually. In addition, patients admitted through the Hospital's Emergency Department may be treated with the service. *(November 17, 2006, CON Application, page 3)*
9. The Hospital is projecting 36 procedures in the second year of service and 36 in the third. These numbers are based on the physicians' current experience and on their patient base. *(November 17, 2006, CON Application, page 3)*
10. The Hospital's methodology for developing its need projection was the "Maine Rate." The American Lithotripsy Society performed a study that demonstrated a national average of 72 procedures per 100,000 population per year in 1990. The Hospital's primary service area population, Connecticut towns only, has a population of approximately 50,000. Based on the Maine Rate, there should be approximately 36 persons in need of lithotripsy services $(50,000/100,000 * 72)$. *(November 17, 2006, CON Application, pages 3 & 4)*
11. The Hospital proposes to follow the practice guidelines established by the American Lithotripsy Society. *(November 17, 2006, CON Application, page 7)*
12. There are no existing providers of lithotripsy in the Hospital's service area. *(November 17, 2006, CON Application, page 1)*
13. The Hospital has requested that the service be provided by UMS Connecticut Lithotripsy, LP one day every four (4) weeks between the hours of 8:00 am and 4:00 pm. *(November 17, 2006, CON Application, page 4)*

**Financial Feasibility 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**

14. The proposal has a capital cost of \$450,000, which represents the fair market value of the lithotripsy equipment. *(July 21, 2006, Letter of Intent, page 7)*
15. The Hospital will pay for the services that it utilizes with UMS Connecticut Lithotripsy, LP under a fixed-fee arrangement on a case by case basis for each procedure and bill the patient for these services. *(July 21, 2006, Letter of Intent, page 8)*

16. The Hospital is projecting the following incremental gain from operations related to the proposal:

Table 1: Projected Incremental Gain

| Fiscal Year | Revenue |
|--------------------|----------------|
| 2007 | \$23,188 |
| 2008 | \$24,828 |
| 2009 | \$26,581 |

(November 17, 2006, CON Application, Financial Proforma)

17. The Hospital's existing payer mix is not expected to change as a result of this project. The current payer mix and the projected payer mix for the first three years of operation are as follows:

Table 2: Three-Year Projected Payer Mix with the CON Proposal

| <u>Payer</u> | Current and Projected (FYs 2006 to 2009) |
|--|---|
| Medicare (Includes Managed Care Activity) | 50.0% |
| Medicaid (Included Other Medical Assistance) | 6.0% |
| TriCare (CHAMPUS) | 0.0% |
| Total Government | 56.0% |
| Commercial Insurers | 35.0% |
| Uninsured | 6.5% |
| Workers Compensation | 0.0% |
| Total Non-Government | 41.5% |
| Uncompensated Care | 2.5% |
| Total Payer Mix | 100.00% |

(November 17, 2006, CON Application, page 13)

18. The Hospital's rates are sufficient to cover the proposed capital cost and operating costs.
(November 17, 2006, CON Application, page 13)

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

The following other principles and guidelines set forth in Section 19a-637 were also fully considered and the following findings made.

19. There is no State Health Plan in existence at this time. *(November 17, 2006, CON Application, page 2)*
20. The Hospital has provided evidence that this proposal is consistent with its long-range plan.
(November 17, 2006, CON Application, page 2)

21. The Hospital has improved productivity and contained costs through group purchasing and the application of technology. *(November 17, 2006, CON Application, page 8)*
22. The proposal will not result in changes to the Hospital's current teaching and research responsibilities. *(November 17, 2006, CON Application, page 8)*
23. There are no distinguishing characteristics of the patient/physician mix of the Hospital. *(November 17, 2006, CON Application, page 8)*
24. The Hospital has sufficient financial, managerial, and technical competence to provide efficient and adequate service to the public. *(November 17, 2006, CON Application, page 13)*

Rationale

The Office of Health Care Access (“OHCA”) approaches community and regional need for the proposed service on case by case basis. Certificate of Need (“CON”) applications do not lend themselves to general applicability due to a variety of complexity 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 proposed services.

Essent Healthcare of Connecticut, Inc. d/b/a Sharon Hospital (“Hospital”) proposes to establish a portable lithotripsy service on its campus at 50 Hospital Hill Road, Sharon, Connecticut. The Hospital proposes to enter into an agreement with UMS Connecticut Lithotripsy, Limited Partnership for the provision of the lithotripsy service. The Hospital never initiated the original CON approval for the same proposal in 2005 due to a nullified vendor contract.

The Hospital based the need for the lithotripsy service on quality of care improvements and improved patient access to services. The proposal will remedy a geographic barrier to access by providing lithotripsy services within the Hospital’s service area. Presently, there are no existing providers of lithotripsy services in the Hospital’s primary service area and patients who require lithotripsy services must travel at least 45 minutes to the nearest provider. The establishment of the proposed lithotripsy service addresses this concern and will improve both the quality and accessibility of lithotripsy service in the Hospital’s primary service area.

Two physicians with privileges at the Hospital will utilize the lithotripsy service. The two physicians estimate that approximately 36 procedures, (three (3) per month) will be performed annually based on the physicians’ current experience and on their patient base. In addition, patients admitted through the Hospital’s Emergency Department may be treated with the service. The Hospital provided evidence to support the need for the lithotripsy service utilizing a study from the American Lithotripsy Society. Based on the evidence presented by the Hospital for this proposal and the fact that OHCA approved the Hospital’s establishment of the portable lithotripsy service a year ago, the Hospital has demonstrated a continued need for the lithotripsy service.

The proposal has a capital cost of \$450,000, which represents the fair market value of the lithotripsy equipment. The Hospital projects incremental gains from operations related to this project of \$23,186, \$24,828, and \$26,581 for FY 2007, FY 2008, and FY 2009. Although OHCA can not draw any conclusions, the Hospital’s volume and financial projections upon which they are based appear to be reasonable.

Based on the foregoing Findings and Rationale, the Certification of Need application of Sharon Hospital to offer a portable lithotripsy service, is hereby granted subject to conditions.

Order

The request of Sharon Hospital to establish a portable lithotripsy service is approved subject to the following conditions:

1. The authorization shall expire January 2, 2009. Should Sharon Hospital not begin the portable lithotripsy service by that date, the Hospital must seek further approval from OHCA to complete the project beyond that date.
2. The proposal has a capital cost of \$450,000, which represents the fair market value of the lithotripsy equipment. In the event that Sharon Hospital learns of potential cost increases or expects that the final project costs will alter, the Hospital shall file with OHCA a request for approval of the revised budget.
3. The Hospital shall notify OHCA in writing by no later than one month after the lithotripsy equipment becomes operational the initial date of the operation of the lithotripsy equipment.

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

January 2, 2007

Signed by Cristine A. Vogel
Commissioner