



Office of Health Care Access Certificate of Need Application

Final Decision

Hospital: Gaylord Hospital, Inc.

Docket Number: 06-30811-CON

Project Title: Terminate Sleep Laboratory in Wallingford and New Haven and Establish New Sleep Laboratory in North Haven and increase the capacity from eleven to twelve beds

Statutory Reference: Section 19a-638, Connecticut General Statutes

Filing Date: January 4, 2007

Decision Date: April 2, 2007

Default Date: April 4, 2007

Staff: Paolo Fiducia

Project Description: Gaylord Hospital, Inc. ("Hospital") proposes to terminate sleep laboratories located at Gaylord Farms Road, Wallingford, and 1 Long Wharf Drive, New Haven and establish a sleep laboratory at 8 Devine Street, North Haven, Connecticut, at an estimated total capital cost of \$321,135.

Nature of Proceedings: On January 4, 2007, the Office of Health Care Access ("OHCA") received the Certificate of Need ("CON") application of Gaylord Hospital, Inc. seeking authorization to terminate two sleep laboratories located at Gaylord Farms Road, Wallingford, and 1 Long Wharf Drive, New Haven and establish a sleep laboratory at 8 Devine Street, North Haven, Connecticut, and increase the capacity from eleven to twelve beds, at an estimated total capital cost of \$321,135. 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 Hospital's Letter of Intent was published in the *Connecticut Post*, Bridgeport on August 9,

2006. OHCA received no responses from the public concerning the Hospital's proposal. Pursuant to Section 19a-638 (C)(3), three individuals or an individual representing an entity with five or more people had until January 25, 2007, the twenty-first calendar day following the filing of the Hospital's CON Application, to request that OHCA hold a public hearing on the Hospital's proposal. OHCA received no hearing requests from the public by January 25, 2007. Commissioner Cristine A. Vogel designated Susan Cole England, Director Certification, Financial Analysis and Forecasting as presiding officer with final decision making authority in this matter.

OHCA's authority to review, approve, modify or deny this proposal 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 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. Gaylord Hospital, Inc. ("Hospital") is a chronic disease hospital located at Gaylord Farm Road, Wallingford, Connecticut. (*July 21, 2006, Certificate of Need Determination Form, page 2*)
2. The Hospital indicates that it is the largest provider of Sleep Medicine services in Connecticut, with accredited centers located throughout the state. In these sleep lab facilities, the Hospital performs diagnosis of sleep disorders resulting from respiratory and neurological causes, such as sleep apnea, insomnia, narcolepsy and hypertension. (*July 21, 2006, Certificate of Need Determination Form, Attachment A*)
3. The Hospital proposes to terminate two sleep laboratories located at Gaylord Farms Road, Wallingford, and 1 Long Wharf Drive, New Haven and establish a sleep laboratory at 8 Devine Street, North Haven, Connecticut, and increase the capacity from eleven to twelve beds, at an estimated total capital cost of \$321,135. The sleep laboratory is a satellite of the hospital. (*July 21, 2006, Certificate of Need Determination Form, Attachment A*)
4. The Hospital states that the sleep laboratory has been in operation at the new location, 8 Devine Street, North Haven, Connecticut, since July, 2006. (*July 21, 2006, Certificate of Need Determination Form, page 2*)
5. The service area of the sleep laboratory consists of the following towns: New Haven and Hamden in the primary service area, Wallingford, Meriden, West Haven, Cheshire and North Haven in the secondary service area. (*November 16, 2006, Initial Certificate of Need Application Submission, page 7*)

6. The Hospital states that at the new location they will be servicing the same population as with the previous locations. *(November 16, 2006, Initial Certificate of Need Application Submission, page 9)*
7. The Hospital states that sleep services program at the former Wallingford location consisted of 6 beds, operated 7 nights a week, and the former New Haven location consisted of 5 beds, operated 7 nights a week. The sleep service program at the new North Haven location consists of 12 beds operating 7 nights a week. The services include diagnostic polysomnography, split-night polysomnography and therapeutic polysomnography. *(November 16, 2006, Initial Certificate of Need Application Submission, pages 6 & 10)*
8. The Hospital based the need for the termination of the Wallingford and New Haven sleep laboratory services and establishment of North Haven sleep laboratory services on the following:
 - Capacity & space constraints.
 - Scheduling delays/backlog at Fairfield sleep lab, and
 - Improved access to care.*(November 16, 2005, Initial Certificate of Need Application Submission, page 3)*
9. The Hospital states that North Haven was chosen as the new site for the proposed sleep laboratory service for the following reasons:
 - The Hospital's sleep center in Wallingford and New Haven were experiencing an eight to twelve week backlog and access to care was delayed,
 - The Wallingford and New Haven sleep laboratories did not have a physician exam room or adequate sterilization area,
 - The Wallingford and New Haven locations had physical plant limitations and did not meet American Academy of Sleep Medicine ("AASM") standard laboratory space requirements,
 - The North Haven location meets AASM requirements as well as provides for efficiencies due to staff consolidation including scheduling, medical records and physician offices,
 - The North Haven location allows the Hospital enough space to accommodate a new server housing centralized storage of sleep study polysomnography data, and
 - The North Haven location is able to accommodate studies for children.*(November 16, 2005, Initial Certificate of Need Application Submission, page 7)*

10. The following table shows the actual number of sleep studies, projected number of sleep studies and assumptions at Wallingford, New Haven and North Haven locations:

Table 1: Actual Number of sleep studies, projected number of sleep studies, and assumptions at Wallingford, New Haven and North Haven locations

	2004	2005	2006(c)	2007	2008	2009
# of Sleep Beds	11	11	11.25	12	12	12
# of Nights Open	7	7	7	7	7	7
Total Weekly Capacity	77	77	78.75	84	84	84
@ 50 weeks a year (a)	3,850	3,850	3,937.5	4,200	4,200	4,200
Anticipated Capacity	3,850	3,850	3,937.5	4,200	4,200	4,200
Actual/Anticipated Studies	3,066	3,287	3,220	3,335	3,749	4,199
% Occupancy	80%	85%	82%	79%	89%	100%
Assumed Cancellation Rate	20%	15%	18%	21%	11%	0%

(a) Taking out holidays and other non-work days during the year – industry standard

(c) Opened new location in July 2006 – prorated additional bed (1)

(March 21, 2007, Additional Information Submitted, page 3)

11. The following table shows the existing sleep laboratory providers in the proposed service area:

Table 2: Existing sleep lab facilities in the proposed service area

Description of Service	Provider Name and Location
Sleep Laboratory	Yale Center for Sleep Medicine, New Haven
Sleep Laboratory	MidState Medical Center, Meriden

(November 16, 2006, Initial Certificate of Need Application Submission, page 10)

12. The Hospital states that the MidState Medical Center sleep laboratory is unlike Gaylord Hospital in that it is:

- Not accredited by AASM
- Not able to perform day studies,
- Not able to provide sleep studies to children and
- No employed on-site sleep physicians.

(November 16, 2006, Initial Certificate of Need Application Submission, page 10)

13. The Hospital states that Gaylord Sleep Medicine is staffed with technicians who are trained in the utilization and maintenance of polysomnographic equipment, patient monitoring, data analysis and technical aspects of performing polysomnograms.

(November 16, 2006, Initial Certificate of Need Application Submission, page 14)

14. The Hospital states that the Sleep Disorders Center in North Haven adheres to the practice parameters defined by the American Academy of Sleep Medicine (AASM). Compliance with the practice parameters is validated through the AASM accreditation process and revalidated on an on-going basis through the AASM re-accreditation process. *(November 16, 2006, Initial Certificate of Need Application Submission, page 13)*

**Financial Feasibility 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 Payers for Such Services
Consideration of Other Section 19a-637, C.G.S. Principles and Guidelines**

15. The proposal includes the following cost components:

Table 3: Total Proposed Capital Expenditure	
Component	Cost
Medical Equipment (Purchase)	\$33,939
Non-Medical Equipment	\$202,148
Construction/Renovation	\$85,048
Total Capital Expenditure	\$321,135

(November 16, 2006, Initial Certificate of Need Application Submission, pages 17)

16. The proposed capital expenditure of \$321,135 for the CON proposal will be financed entirely through Hospital operating funds. *(November 16, 2005, Initial Certificate of Need Application Submission, pages 20)*
17. The proposed project schedule is as follows:

Table 4: Proposed Project Schedule	
Description	Date
Construction Commencement Date	Fall 2005
Construction Completion Date	July 26, 2006
DPH Licensure Date	N/A
Commencement of Operations Date	July 31, 2006

(November 16, 2006, Initial Certificate of Need Application Submission, page 19)

18. The Hospital provided the following description of the new construction:
- The new construction is a 6,200 square foot building consisting of one level with 12 patient rooms,
 - All patient rooms are private and have been designated to provide a combination of visualization by staff and privacy for patients,
 - Each patient room is hard wired to accept state of the art technology for sleep medicine including audio visual monitoring,
 - All patient rooms are sized according to AASM standards with all rooms expanded to accommodate patient guardians, as needed,

- There are three physician office spaces providing space for nine rotating sleep physicians, and
- There are also three physician examination rooms as well as additional space for supporting staff including reception, registration, medical records, scheduling and administration. *(November 16, 2006, Initial Certificate of Need Application Submission, page 18)*

19. The Hospital projects incremental gains from operations related to the proposal of \$231,000 for FY 2007, \$370,000 for FY 2008 and \$567,000 for FY 2009. *(November 16, 2006, Initial Certificate of Need Application Submission, page 152)*
20. The Hospital's projected payer mix during the first three years of operation with the proposal is as follows:

Table 5: Three-Year Projected Payer Mix with the CON Proposal

Payer Mix	Current Payer Mix	Year 1	Year 2	Year 3
Medicare	17%	17%	17%	17%
Medicaid	7%	7%	7%	7%
TriCare (CHAMPUS)	0%	0%	0%	0%
Total Government	24%	24%	24%	24%
Commercial Insurers	76%	76%	76%	76%
Total Non-Government	76%	76%	76%	76%
Total Payer Mix	100.00%	100.00%	100.00%	100.00%

(November 16, 2006, Initial Certificate of Need Application Submission, page 21)

21. There is no State Health Plan in existence at this time. *(November 16, 2006, Initial Certificate of Need Application Submission, page 6)*
22. The Hospital has adduced evidence that this proposal is consistent with the Hospital's long-range plan. *(November 16, 2006, Initial Certificate of Need Application Submission, page 6)*
23. The Hospital has improved productivity and contained costs through group purchasing, reengineering and application of technology. *(November 16, 2006, Initial Certificate of Need Application Submission, page 15)*
24. This proposal will not result in changes to the Hospital's teaching and research responsibilities. *(November 16, 2006, Initial Certificate of Need Application Submission, page 16)*
25. The Hospital states that the current patient/physician mix will not change. *(November 16, 2006, Initial Certificate of Need Application Submission, page 16)*
26. The Hospital has sufficient technical and managerial competence to provide efficient and adequate service to the public. *(November 16, 2006, Initial Certificate of Need Application Submission, page 13)*
27. The Hospital's rates are sufficient to cover the proposed capital expenditure and operating costs associated with the proposal. *(November 16, 2006, Initial Certificate of Need Application Submission, page 152)*

Rationale

The Office of Health Care Access (“OHCA”) approaches community and regional need for the proposed service on a 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.

Gaylord Hospital, Inc. (“Hospital”) is a chronic disease hospital located at Gaylord Farm Road, Wallingford, Connecticut. The Hospital operates several accredited sleep centers located throughout the state. In these sleep lab facilities, the Hospital performs diagnosis for sleep disorders resulting from respiratory and neurological causes, such as sleep apnea, insomnia, narcolepsy and hypertension. The Hospital proposes to terminate two sleep laboratories located at Gaylord Farms Road, Wallingford, and 1 Long Wharf Drive, New Haven and establish a sleep laboratory at 8 Devine Street, North Haven, Connecticut, and increase the capacity from eleven to twelve beds. The Wallingford location operated 6 beds, 7 nights a week. The New Haven location operated 5 beds, 7 nights a week. The New North Haven location operates 12 beds, 7 nights a week. The New Haven location has been in operation since July 31, 2006. The Hospital based the need for the satellite sleep lab in North Haven on the following: capacity and space constraints, scheduling delays/backlogs at the Wallingford and New Haven sleep laboratories, and improved access to care for the community.

The Hospital states that North Haven was chosen as the new site for the proposed sleep lab service for the following reasons: the Hospitals’ sleep center in Wallingford and New Haven are experiencing an eight to twelve week backlog and access to care is delayed, the Wallingford and New Haven sleep laboratories did not have a physician exam room or adequate sterilization area, the Wallingford and New Haven locations had physical plant limitations and did not meet American Academy of Sleep Medicine (“AASM”) standard laboratory space requirements. The North Haven location meets AASM requirements, and provides enough space to accommodate a new server housing centralized storage of sleep study polysomnography data, and is able to accommodate studies for children. Based on the evidence presented, the Applicant has demonstrated a need for the proposal.

The Hospital stated that the total number of sleep studies performed at the Wallingford, New Haven and North Haven locations were 3,066, 3,287 and 3,220 for FY 2004, FY 2005 and FY 2006, respectively. Based on the foregoing reasons, OHCA finds that the CON proposal will improve both the quality and accessibility of the proposed services to the residents of the proposed service area.

The total capital cost for the CON proposal is \$321,135. The project will be financed entirely through Hospital operating funds. The Hospital projects an incremental gain

from operations related to the proposal of \$231,000 for FY 2007, \$370,000 for FY 2008 and \$567,000 for FY 2009. Although OHCA cannot draw any conclusions, the Hospital's volume and financial projections upon which they are based appear to be reasonable and achievable.

Based on the foregoing Findings and Rationale, the Certificate of Need application of Gaylord Hospital, Inc. to terminate two sleep laboratories at Gaylord Farms Road, Wallingford, 1 Long Wharf Drive, New Haven and establish a sleep laboratory at 8 Devine Street, North Haven, Connecticut, and increase the capacity from eleven to twelve beds, at an estimated total capital cost of \$321,135, is hereby GRANTED.

Order

Gaylord Hospital, Inc. is hereby authorized to terminate two sleep laboratories located at Gaylord Farms Road, Wallingford, and 1 Long Wharf Drive, New Haven and establish a sleep laboratory at 8 Devine Street, North Haven, Connecticut, and increase the capacity from eleven to twelve beds, at an estimated total capital cost of \$321,135, subject to the following conditions:

1. If the Hospital proposes to change the ownership, services offered or location of the North Haven Sleep Lab, a CON Determination shall be filed with OHCA.
2. If the Hospital proposes to increase the number of sleep lab rooms over the 12 that are authorized at the North Haven Sleep Lab, a CON Determination shall be filed with OHCA.
3. Gaylord Hospital, Inc. shall hereafter notify OHCA of any and all proposed termination of services prior to finalizing any decision to terminate any services or programs. Failure to notify OHCA in advance of any proposed termination of services may be considered as not filing required information and subject Gaylord Hospital, Inc. to civil penalties pursuant to Section 19a-653, C.G.S.
4. Gaylord Hospital, Inc. shall provide OHCA by September 30, 2007 a copy of a dated and signed Agreement for emergency transfer of sleep laboratory patients from the Gaylord Hospital, Inc. Sleep Laboratory located in North Haven to a local acute care hospital.

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 2, 2007

Signed by Susan Cole England
Presiding Officer

SCE:pf