



Office of Health Care Access Certificate of Need Application

Final Decision

Hospital: Gaylord Hospital, Inc.

Docket Number: 06-30877-CON

Project Title: Terminate Sleep Laboratory Services in West Hartford and Establish Sleep Laboratory Services in Glastonbury and Add three beds

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

Filing Date: January 26, 2007

Hearing Date: April 5, 2007

Presiding Officer: Cristine A. Vogel

Decision Date: May 9, 2007

Default Date: May 9, 2007

Staff: Paolo Fiducia

Project Description: Gaylord Hospital, Inc. (“Hospital”) proposes to terminate sleep laboratory services located at 836 Farmington, Suite 119, West Hartford, establish sleep laboratory services at 676 Hebron Avenue, Glastonbury, Connecticut, and increase the capacity from three to six beds, at an estimated total capital cost of \$607,000.

Nature of Proceedings: On January 26, 2007, the Office of Health Care Access (“OHCA”) received the Certificate of Need (“CON”) application of Gaylord Hospital, Inc. seeking authorization to terminate sleep laboratory services located at 836 Farmington, Suite 119, West Hartford, establish sleep laboratory services at 676 Hebron Avenue, Glastonbury, Connecticut, and increase the capacity from three to six beds, at an estimated total capital cost of \$607,000. 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 *The Hartford Courant*, Hartford on December 2, 2006.

A public hearing regarding the CON application was held on April 5, 2007, pursuant to Section 19a-638, C.G.S. On March 12, 2007, the Hospital was notified of the date, time and place of the hearing. A notice to the public was published in *The Hartford Courant* on March 16, 2007. Commissioner Cristine A. Vogel served as Presiding Officer for this case. The public hearing was conducted as a contested case in accordance with the provisions of the Uniform Administrative Procedure Act (Chapter 54 of the Connecticut General Statutes) and Section 19a-638, C.G.S.

OHCA's authority to review and approve, modify or deny the CON 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 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. (*January 26, 2007, Initial Certificate of Need Application Submission, page 3*)
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. (*January 26, 2007, Initial Certificate of Need Application Submission, page 3*)
3. The Hospital proposes to terminate sleep laboratory services located at 836 Farmington, Suite 119, West Hartford, establish sleep laboratory services at 676 Hebron Avenue, Glastonbury, Connecticut, and increase the capacity from three to six beds, at an estimated total capital cost of \$607,000. The sleep laboratory is a satellite of the hospital. (*January 26, 2007, Initial Certificate of Need Application Submission, page 3*)
4. The service area of the sleep laboratory consists of the following towns: West Hartford and Hartford in the primary service area, Glastonbury, East Hartford and Newington in the secondary service area. (*January 26, 2007, Initial Certificate of Need Application Submission, page 6*)

5. Jacqueline Epright, Director of Business Development Support, Gaylord Hospital, Inc. testified that the Hospital based its primary service area on a 5% market share in a particular town. *(April 5, 2007, Hospital Testimony at the Public Hearing)*
6. The Hospital states that at the new location they will be servicing the same population as with the previous location. *(January 26, 2007, Initial Certificate of Need Application Submission, page 7)*
7. The Hospital states that the sleep laboratory services program at the West Hartford location consisted of 3 beds, operated 4 nights a week. The sleep laboratory services program at the Glastonbury location eventually will be 6 beds open 6 nights a week. The Hospital is planning to ramp up volumes starting at 4 beds, 6 nights and will eventually be at 6 beds, 6 nights a week. The services include diagnostic polysomnography, split-night polysomnography and therapeutic polysomnography. *(January 26, 2007, Initial Certificate of Need Application Submission, page 8)*
8. The Hospital based the need for the termination of the West Hartford sleep laboratory services and establishment of Glastonbury sleep laboratory services on the following:
 - Capacity & space constraints,
 - Scheduling delays/backlog at West Hartford sleep lab, and
 - Improved access to care.*(January 26, 2007, Initial Certificate of Need Application Submission, page 3)*
9. The Hospital states that Glastonbury was chosen as the new site for the proposed sleep laboratory service for the following reasons:
 - The Hospital's sleep center in West Hartford is experiencing a six to eight week backlog for initial consult and access to care is delayed,
 - The West Hartford sleep laboratory did not have a physician exam room or adequate sterilization area,
 - The West Hartford location had physical plant limitations and did not meet American Academy of Sleep Medicine ("AASM") standard laboratory space requirements,
 - The Glastonbury location meets AASM requirements as well as provides for efficiencies due to staff consolidation including scheduling, medical records and physician offices,
 - The Glastonbury location allows for two physician consult exam rooms, and
 - The Glastonbury location is able to accommodate studies for children and accommodations for guardians.*(January 26, 2007, Initial Certificate of Need Application Submission, page 10)*
10. Debra Ann Pollack, Administrative Director, Gaylord Hospital, Inc. testified that the current backlog for the initial consultation is due to increased demand for consultation work and the West Hartford location can not provide it. The West

Hartford location lacks physical space to support the increased demand for consultation examinations. *(April 5, 2007, Hospital Testimony at the Public Hearing)*

11. The Hospital states that with the move to the new site, it will be able to increase physician hours from 8 to 24 hours per week to perform more consultations, leading to increased studies, decreasing the backlog.
(January 26, 2007, Initial Certificate of Need Application Submission, page 8)
12. The following table shows the actual number of sleep studies, projected number of sleep studies and assumptions at the West Hartford and Glastonbury locations:

Table 1: Actual Number of sleep studies, projected number of sleep studies, and assumptions at West Hartford and Glastonbury locations

	2004(f)	2005	2006	2007(d)	2008(e)	2009
# of Sleep Beds	3	3	3	3.67	5.5	6
# of Nights Open	2.5	3	4	4.83	5.5	6
Total Weekly Capacity	7.5	9	12	17.72	30.25	36
@ 50 weeks a year (a)	375	450	600	886	1512.5	1800
Anticipated Capacity	375	450	600	886	1512.5	1800
Actual/Anticipated Studies	310	360	484	799	1220	1440
% Occupancy	83%	80%	81%	90%	81%	80%
Assumed Cancellation Rate	17%	20%	19%	10%	19%	20%

(d) Assumes 7 months at 3 beds and 4 nights (old location), 2 months at 4 beds 6 nights and 3 months at 5 beds 5 nights – prorated.

(e) Assumes 6 months at 5 beds 5 nights and 6 months at 6 beds 6 nights

(f) Opened 6 months at 2 nights and 6 months at 3 nights - prorated

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

14. Richard Serafino, Administrative Director, Gaylord Sleep Medicine, testified to the following:
 - Since last fall Gaylord Hospital, Inc. and Connecticut Children Medical Center (“CCMC”) have established a short term relationship to share each other’s expertise and to see what available treatment there might be in order to test children.
 - At the time of developing the partnership, CCMC had a list of 300 children waiting for sleep studies.
 - Right now they are testing one child 6 days a week within the hospital and the other children over 4 years old are tested at other various centers.*(April 5, 2007, Hospital Testimony at the Public Hearing)*
15. No documentation was presented to OHCA regarding this partnership between Gaylord Hospital, Inc. and CCMC or the number of referrals projected from CCMC to the proposed sleep laboratory in Glastonbury.

16. 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	Hartford Hospital, Hartford
Sleep Laboratory	The Sleep Disorders Center at Saint Francis Hospital and Medical Center, Hartford

(January 26, 2007, Initial Certificate of Need Application Submission, page 9)

17. Richard Serafino, Administrative Director, Gaylord Sleep Medicine, testified that ProHealth a multi-specialty physician group practice is an existing provider of sleep laboratory services in Farmington. They have 4 beds, one board certified physician that sees patients 2 days per week, and he comes from Massachusetts. *(April 5, 2007, Hospital Testimony at the Public Hearing)*
18. The Hospital states that the Sleep Disorders Center in Glastonbury will adhere 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. *(January 26, 2007, Initial Certificate of Need Application Submission, page 12)*

**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**

19. The proposal includes the following cost components:

Table 3: Total Proposed Capital Expenditure	
Component	Cost
Non-Medical Equipment	\$81,000
Construction/Renovation	\$526,000
Total Capital Expenditure	\$607,000

(January 26, 2007, Initial Certificate of Need Application Submission, pages 16)

20. The proposed capital expenditure of \$607,000 for the CON proposal will be financed entirely through Hospital operating funds. *(January 26, 2007, Initial Certificate of Need Application Submission, pages 18)*

21. The Hospital provided the following description of the new construction:
 - The new sleep location comprises 3,825 square foot consisting of one level with 6 patient testing 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 two physician consultation and exam areas providing space for 6 rotating sleep physicians, and
 - There is also additional space for supporting staff including reception, registration and administration. *(January 26, 2007, Initial Certificate of Need Application Submission, page 16)*

22. The Hospital projects incremental gains from operations related to the proposal of \$90,000 for FY 2007, \$457,000 for FY 2008 and \$702,000 for FY 2009. *(January 26, 2007, Initial Certificate of Need Application Submission, page 152)*

23. 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%

(January 26, 2007, Initial Certificate of Need Application Submission, page 19)

24. There is no State Health Plan in existence at this time. *(January 26, 2007, Initial Certificate of Need Application Submission, page 5)*

25. The Hospital has adduced evidence that this proposal is consistent with the Hospital’s long-range plan. *(January 26, 2007, Initial Certificate of Need Application Submission, page 5)*

26. The Hospital has improved productivity and contained costs through group purchasing, reengineering and application of technology. *(January 26, 2007, Initial Certificate of Need Application Submission, page 14)*

27. This proposal will not result in changes to the Hospital’s teaching and research responsibilities. *(January 26, 2007, Initial Certificate of Need Application Submission, page 14)*

28. The Hospital states that the current patient/physician mix will not change. *(January 26, 2007, Initial Certificate of Need Application Submission, page 14)*
29. The Hospital has sufficient technical and managerial competence to provide efficient and adequate service to the public. *(January 26, 2007, Initial Certificate of Need Application Submission, page 12)*
30. The Hospital's rates are sufficient to cover the proposed capital expenditure and operating costs associated with the proposal. *(January 26, 2007, 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 a sleep laboratory located at 836 Farmington Avenue, Suite 119, West Hartford and establish a sleep laboratory at 676 Hebron Avenue, Glastonbury, Connecticut, and increase the capacity from three to six beds. The West Hartford location operates 3 beds, 4 nights a week. The Hospital proposes to operate 6 beds at the Glastonbury location 6 nights a week. The Hospital based the need for the satellite sleep laboratory in Glastonbury on the following assertions: capacity and space constraints, scheduling delays/backlogs for the initial consultation at the West Hartford sleep laboratory, and improved access to care for the community.

The Hospital states that Glastonbury was chosen as the new site for the proposed sleep lab service for the following reasons: the Hospital sleep center in West Hartford is experiencing a six to eight week backlog for initial consultation and access to care is delayed, the West Hartford sleep laboratory did not have a physician exam room or adequate sterilization area, the West Hartford location had physical plant limitations and did not meet American Academy of Sleep Medicine (“AASM”) standard laboratory space requirements. The Glastonbury location meets AASM requirements, provides efficiencies due to staff consolidation including scheduling, medical records and physician offices, and is able to accommodate studies for children. 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.

However, under careful examination of the actual sleep laboratory volumes attained by the Hospital at the West Hartford location, questions arose as to the need for the full complement of 6 beds. Current utilization for FYs 2004-2006 shows 3 beds at 80% capacity. The Hospital stated that the total number of sleep studies performed at the West Hartford location were 310, 360 and 484 for FY 2004, FY 2005 and FY 2006, respectively. The Hospital indicated at the public hearing that it had established a short term relationship with Connecticut Children’s Medical Center to share each other’s expertise and to see what available treatment there might be in order to test children. The Hospital also indicated that volumes will increase related to the partnership with CCMC.

However, the Hospital did not provide any documentation regarding this relationship between CCMC and the Hospital or the number of projected referrals from CCMC that would increase the volume of sleep laboratory services at the Glastonbury location which would substantiate the need for 6 beds. Furthermore, OHCA is not able to assess the need for the full complement of beds due to the omission of existing providers in the area. At this time the need for the proposed full complement of six beds has not been justified by the Hospital.

The total capital cost for the CON proposal is \$607,000. The project will be financed entirely through Hospital operating funds. The Hospital projects an incremental gain from operations related to the proposal of \$90,000 for FY 2007, \$457,000 for FY 2008 and \$702,000 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, in light of the incremental increase in bed capacity.

Based on the foregoing Findings and Rationale, the Certificate of Need application of Gaylord Hospital, Inc. to terminate sleep laboratory services located at 836 Farmington, Suite 119, West Hartford, establish sleep laboratory services at 676 Hebron Avenue, Glastonbury, Connecticut, and increase the capacity from three to six beds, at an estimated total capital cost of \$607,000, is hereby MODIFIED, subject to the following conditions.

Order

The proposal of Gaylord Hospital, Inc. to terminate sleep laboratory services located at 836 Farmington, Suite 119, West Hartford, establish sleep laboratory services at 676 Hebron Avenue, Glastonbury, Connecticut, and increase the capacity from three to six beds at an estimated total capital cost of \$607,000, is hereby modified and is subject to the following conditions:

1. The Hospital is approved to terminate sleep laboratory services in West Hartford, establish sleep laboratory services in Glastonbury and operate 4 beds not 6 beds at the Glastonbury location.
2. The Applicant shall not exceed the approved total capital cost of \$607,000. In the event that the Hospital learns of potential cost increases or expects that final project costs will exceed those approved, the Applicant shall notify OHCA immediately.
3. If the Hospital proposes to change the ownership, services offered or location of the Glastonbury Sleep Lab, a CON Determination shall be filed with OHCA.
4. The Hospital shall file with OHCA utilization statistics on the annual number of referrals for sleep laboratory services by provider and patient town for the next two years. The initial report shall list the date on which the proposal commenced operation. The first report shall be filed with OHCA sixty days subsequent to the end of the operational year.
5. 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.

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 9, 2007

Signed by Cristine A. Vogel
Commissioner

CAV:pf