



Office of Health Care Access

Modification of Previously Authorized Certificate of Need

Final Decision

Applicants: Hartford Hospital and
Connecticut Surgical Group, P.C.

**Modification Docket
Number:** 07-30307-MDF

Modification Project Title: A request to modify a previous Certificate of Need authorization to extend the CON expiration date from May 20, 2007 to September 30, 2007 and to increase the authorized capital expenditure by \$2,246,795, from \$4,650,721 to \$6,897,516

**Original Project Docket
Number and Title** Docket Number 04-30307-CON; The establishment and operation of an ambulatory surgery center to be located on Memorial Drive in West Hartford (the West Hartford Surgery Center)

Statutory Reference: Sections 4-181a(b), Connecticut General Statutes

Filing Date: May 2, 2007

Decision Date: May 9, 2007

Staff Karen Roberts

Project Description: Connecticut Surgical Group, P.C. and Hartford Hospital (“Applicants”), request a modification of the Certificate of Need (“CON”) authorization issued under Docket Number 04-30307-CON in order to extend the CON expiration date from May 20, 2007 to September 30, 2007 and to increase the authorized capital expenditure by \$2,246,795, from \$4,650,721 to \$6,897,516 related to the establishment and operation of the West Hartford Surgery Center.

Findings of Fact

1. On May 20, 2005, under Docket Number 04-30307-CON, the Office of Health Care Access (“OHCA”) granted a Certificate of Need (“CON”) pursuant to Sections 19a-638 and 19a-639 of the Connecticut General Statutes to Connecticut Surgical Group, P.C. and Hartford Hospital (“Applicants”) to establish and operate an ambulatory surgery center to be located on Memorial Drive in West Hartford, Connecticut, at a total capital cost of \$4,650,721, to be known as the West Hartford Surgery Center. Conditions Four and Five of the CON under Docket Number 04-30409-CON are as follows:

“4. *The Applicants shall not exceed the approved total capital cost of \$4,650,721. In the event that the Applicants learn of potential cost increases or expect that the final project costs will exceed those approved, the Applicants shall file with OHCA a request for approval of the revised CON project budget.*”

“5. *This authorization shall expire on May 20, 2007, unless the Applicants present evidence to OHCA that West Hartford Surgery Center, LLC has received its license from the Department of Public Health.*”
(Final Decision for DN 04-30307-CON)

2. On April 13, 2007, OHCA received a request from the Applicants to modify the CON Final Decision under Docket Number 04-30307-CON in order to extend the CON expiration date from May 20, 2007 to September 30, 2007 and to increase the authorized capital expenditure by \$2,246,795, from \$4,650,721 to \$6,897,516. Additional information was received from the Applicants on May 2, 2007. (April 13, 2007 and May 2, 2007 submissions)
3. The Applicants provide the following reasons for the request for an increase in the authorized capital expenditure:
 - a. Increased costs pertaining to construction materials;
 - b. The complexity of build-out in a multiple story building and state regulations; and
 - c. Increased costs of equipment and labor.
(April 13, 2007 submission, page 2)
4. The requested increase of \$2,246,795 is broken down by the following cost components:

Table 1: Break out of requested incremental capital expenditures

Cost Component	Dollar Amount
New Construction/Renovations	\$1,666,144
Purchase of Medical Equipment	\$104,938
Purchase of Imaging Equipment	\$(111,050)
Purchase of Non-Medical Equipment	\$122,763
Legal and Consulting Costs	\$464,000
Total Proposed Incremental Capital Expenditure	\$2,246,795

(April 13, 2007 submission, page 3)

5. The Applicants will utilize Hartford Hospital reserves and a conventional loan to cover the proposed incremental increase in capital expenditures. *(April 13, 2007 submission, page 3)*
6. The Applicants provide the following reasons for the request for an extension of the CON expiration date:
 - a. Construction delays due to building material availability;
 - b. The complexity of build out;
 - c. Permit delays; and
 - d. The relationship to the larger Blue Back construction project.
(April 13, 2007 submission, page 3)
7. The Applicants indicate that the following has been accomplished since the project was originally granted in 2005:
 - Consultant has been retained;
 - Legal firm has been engaged;
 - Architect hired and plans completed;
 - Meetings held with the state Department of Public Health in order to start construction;
 - Equipment being priced and ordered;
 - Director of the Surgery Center hired on October 1, 2006;
 - Plans for Surgery Center approved by town of West Hartford and permit issued;
 - Construction company hired and contract signed;
 - Anesthesia and pathology contracts have been signed;
 - Medical credentialing in process;
 - Medical Director hired;
 - West Hartford Surgical Center Board officers elected and monthly meetings held;
 - Construction is currently 70% complete and Center is scheduled to open in August 2007;
 - The Applicants have expended \$2,160,308 to date.
(April 13, 2007 submission, page 4 and May 2, 2007 submission, page 1)
8. A comparison of the project-related Gains from Operations for the surgery center as originally estimated in the CON application and the revised estimations based on the modification request are as follows:

Table 2: Gains from Operations (CON approval versus Modification request)

Fiscal Year	Projections in CON filing	Modified Projections
2007	\$682,949	\$108,000 ¹
2008	\$737,142	\$213,000
2009	\$859,874	\$255,000

(May 2, 2007 submission, page 1)

¹ Assumes two months of operation.

Discussion

OHCA has reviewed this request for a modification to a previously authorized CON and finds that the relationship of the CON authorized under Docket Number 04-30307-CON to Section 19a-637, C.G.S., is not altered by this request for a modification under Docket Number 07-30307-MDF. It appears to be the Applicants' intent to implement the project in a timely manner and the Applicants indicate that the remaining project implementation should be completed by August of 2007. In addition, the requested additional capital expenditure appears to be for circumstances which were unanticipated by the Applicants at the time of the CON filing in 2005 and the request for an additional 2,246,795 to complete the project appears reasonable.

Order

Based on the above discussion and the reasons provided in the Applicants' modification request, OHCA hereby grants the request and modifies the CON authorized under Docket Number 04-30307-CON. Conditions Four and Five of the CON Order under Docket Number 04-30307-CON is further modified as follows:

4. The Applicants shall not exceed the approved total capital cost of \$6,897,516. In the event that the Applicants learn of potential cost increases or expect that the final project costs will exceed those approved, the Applicants shall file with OHCA a request for approval of the revised CON project budget.
5. This authorization shall expire on September 30, 2007, unless the Applicants present evidence to OHCA that the West Hartford Surgery Center is licensed and operational.

All other conditions set forth in the CON authorization issued under Docket Number 04-30307-CON not modified herein, will remain in full effect.

By Order of the
Office of Health Care Access

Signed by Commissioner Vogel on May 9, 2007

Date

Cristine A. Vogel
Commissioner

CAV/kr