



Office of Health Care Access Certificate of Need Application

Final Decision

Applicant: Hill Health Corporation

Docket Number: 07-30922-CON

Project Title: Proposal to Renovate Existing Facilities for the Expansion of Medical and Behavioral Health Services at 420 and 428 Columbus Avenue in New Haven

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

Filing Date: May 8, 2007

Decision Date: June 7, 2007

Default Date: August 6, 2007

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Project Description: Hill Health Corporation proposes to renovate existing facilities to expand its medical and behavioral health services, at an estimated total capital expenditure of \$6,256,772.

Nature of Proceedings: On May 8, 2007, the Office of Health Care Access ("OHCA") received the Certificate of Need ("CON") application from Hill Health Corporation ("Applicant") seeking to renovate existing facilities that will allow medical and behavioral health services expansion, at an estimated total capital expenditure of \$6,256,772. The Applicant 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-639, C.G.S., a notice to the public concerning OHCA's receipt of the Applicant's Letter of Intent was published in the *New Haven Register* on April 28, 2007. OHCA received no responses from the public concerning the Applicant's proposal. Pursuant to 19a-639 C.G.S., three individuals or an individual representing an entity with five or more people had until May 29, 2007, 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.

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 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. Hill Health Corporation ("Applicant") is a federally qualified community health center that provides medical, dental and behavioral health services to the medically underserved, uninsured and impoverished residing in the greater New Haven area. *(February 13, 2007, Letter of Intent, page 8 and May 8, 2007, CON Application, page 2)*
2. The Applicant proposes to renovate existing facilities to achieve the following objectives: *(February 13, 2007, Letter of Intent, page 8 and May 8, 2007, CON Application, pages 2 through 7)*
 - To expand its medical and behavioral health services; and
 - To improve physical plant infrastructure and selected departmental design.
3. The clinics affected by the proposal are located at 400 and 428 Columbus Avenue in New Haven. The building at 400 Columbus Avenue primarily serves as the health center's "administrative headquarters", while the building at 428 Columbus serves as the main "Clinic Building". *(February 13, 2007, Letter of Intent, page 2)*
4. The proposal does not include the establishment of any new program or service. *(February 13, 2007, Letter of Intent ("LOI"), page 8 and May 8, 2007, CON Application, pages 2 through 7)*
5. The Applicant indicates that demand for these services has continued to be high due to a greater number of private physicians no longer seeing Medicaid patients. *(May 8, 2007, CON Application, page 2)*
6. The Applicant indicates that its capacity for accommodating new patients is limited by clinical space constraints and the need to recruit additional professional staff. *(May 8, 2007, CON Application, pages 2 and 3)*
7. The proposal will expand existing services to meet the current and growing needs of the community served by achieving the following measures: *(May 8, 2007, CON Application, page 3)*

- Expanding the internal medicine program through the creation of four (4) additional examination rooms within the main Clinic Building and through the recruitment of two additional primary care physicians. The physicians are expected to see approximately 4,000 new patients, resulting in an incremental patient visit increase of 8,200 visits per year;
 - Relocating and expanding pediatric services by creating two (2) additional examination rooms within the Clinic Building. This change will allow for 2,000 new patients being seen, resulting in an incremental patient visit increase of 5,100 visits per year; and
 - Relocating the Child and Family Guidance and Adult Psychiatric clinics to larger accommodations on the first floor of the administrative building at 400 Columbus Avenue. This change will allow for 500 new patients being seen, resulting in an incremental patient visit increase of 6,000 visits per year.
8. The project will also incorporate the following infrastructure and design improvements: *(May 8, 2007, CON Application, page 8 and Attachment 11, page 137)*
- Roof replacement and HVAC system upgrades for each building;
 - Relocation of the health center's Pharmacy to a more accessible and visible space in the front of the Clinic Building;
 - Redesign of the OB/GYN service space to improve patient flow through the service and relieve current foot traffic congestion; and
 - Expansion and reconfiguration of waiting room space to adequately accommodate the number of patients seen, to alleviate the mixing of pediatric and adult patients and to redirect patients to alleviate the development of long lines during peak patient hours.
9. The proposed service changes are intended to serve residents of New Haven, West Haven, North Haven, Hamden, and East Haven. *(May 8, 2007, CON Application, page 2)*
10. The Applicant's actual patient encounters by affected service for fiscal years ("FYs") 2004 through 2006 are as follows: *(May 8, 2007, CON Application, page 3)*

Table 1: Actual Patient Encounters by Service for FYs 2004 through 2006

Description	FY 2004	FY 2005	FY 2006
Internal Medicine	20,656	23,176	24,719
Pediatrics*	10,746	10,403	10,176
Child & Family Guidance	7,253	7,567	7,370
Adult Psychiatric	6,205	6,432	7,579
Total Patient Encounters	44,860	47,578	49,844

Note: * The decreases in pediatric and child/family guidance service volumes are attributable to departmental design and workflow deficiencies, which are being addressed within the scope of the current CON proposal.

11. The Applicant's three year projected patient encounters by service are as follows: *(May 8, 2007, CON Application, page 3)*

Table 2: Projected Patient Encounters by Service for Operating Years 1 through 3

Description	Year 1	Year 2	Year 3
Internal Medicine	28,819	30,869	32,919
Pediatrics	12,726	14,001	15,276
Child & Family Guidance	8,870	9,620	10,370
Adult Psychiatric	9,079	9,829	10,579
Total Patient Encounters	59,494	64,319	69,144

12. The Health Center's operating schedule is as follows: *(May 8, 2007, CON Application, page 3)*
- Monday, Wednesday and Friday: from 8:30 am to 5:00 pm;
 - Tuesday and Thursday: from 8:30 am to 8:30 pm; and
 - Saturdays: from 9:00 am to 12:00 pm.

**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 Interests of Consumers of Health Care Services and the
Payers for Such Services and
Consideration of Other Section 19a-637, C.G.S. Principles and Guidelines**

13. The project's total capital expenditure is \$6,256,772 and consists of the following cost components: *(May 8, 2007, CON Application, pages 7 and 9)*

Table 3: Capital Expenditure Itemization

Description:	Cost
Building Costs	\$5,420,365
Architectural and Engineering Costs	\$460,131
Contingency Costs	\$376,276
Total Capital Expenditure	\$6,256,772

14. The Applicant proposes building work to begin in July 2007. The project is scheduled to be completed by June 30, 2008 with commencement of the expanded service operation on July 1, 2008. *(May 8, 2007, CON Application, page 9)*
15. A total of approximately 50,000 square feet of existing space will be renovated. *(May 8, 2007, CON Application page 8)*
16. The project has been designed in a manner which will allow for services to be provided in an uninterrupted fashion. Patients who present to the health center's sites during the project will not be adversely affected by the proposal. *(May 8, 2007, CON Application, page 9)*
17. The proposal will be financed through a combination of grant funding from the Connecticut Department of Social Services totaling \$6,200,000 and operating funds totaling \$56,772. *(May 8, 2007, CON Application, page 10)*

18. The Applicant's projected incremental revenue from operations, total operating expense and gain from operations associated with the CON proposal are as follows: *(May 8, 2007, CON Application, pages 12 & 13 and Attachment 8, pages 99 & 100)*

Table 4: Financial Projections Incremental to the Project

Description	FY 2007	FY 2008	FY 2009
Incremental Revenue from Operations	\$872,530	\$1,308,795	\$1,745,060
Incremental Total Operating Expense	\$ 841,233	\$1,266,329	\$1,682,465
Incremental Gain from Operations	\$31,297	\$42,466	\$62,595

19. The current and three year projected payer mix percentages of the health center are presented as follows: *(May 8, 2007, CON Application, pages 11 and 12)*

Table 5: Current & Three-Year Projected Payer Mix

Description	Current	Year 1	Year 2	Year 3
Medicare	7.0%	7.0%	8.0%	8.0%
Medicaid	62.0%	62.0%	63.0%	63.0%
Total Government	69.0%	69.0%	71.0%	71.0%
Commercial Insurers	8.0%	8.0%	5.0%	5.0%
Uninsured	23.0%	23.0%	24.0%	24.0%
Total Non-Government	31.0%	31.0%	29.0%	29.0%
Total Payer Mix	100.0%	100.0%	100.0%	100.0%

20. Additional full-time equivalents ("FTEs") will be required to staff the proposed service expansion over the course of the first three operating fiscal years. An itemization of the projected FTEs by position by fiscal year is presented in the following table: *(May 8, 2007, CON Application, pages 12 & 13 and Attachment 8, pages 99 & 100)*

Table 6: Project Staffing Requirements in FTEs

Position Title:	FY 1	FY 2	FY 3
Mental Health Clinicians	2.80	4.20	5.60
Internal Medicine Clinicians	1.00	1.50	2.00
Pediatric Clinicians	0.50	0.80	1.00
Medical Other- OB/GYN & Specialty Services	2.00	3.00	4.00
Administration	0.50	0.75	1.00
Other- Pharmacy Staff	0.50	0.75	1.00
Total FTEs	7.30	11.00	14.60

21. There is no State Health Plan in existence at this time. *(May 8, 2007, CON Application, page 2)*
22. The Applicant has adduced evidence that the proposal is consistent with its long-range plan. *(May 8, 2007, CON Application, page 2)*
23. The Applicant has improved productivity and contained costs by participating in activities involving the applications of new technology. *(May 8, 2007, CON Application, page 6)*
24. The proposal will not result in any change to the Applicant's teaching and research responsibilities. *(May 8, 2007, CON Application, page 6)*

25. The Applicant's current patient/physician mix is similar to that of other community health care centers. The proposal will not result in any change to this mix. *(May 8, 2007, CON Application, page 6)*
26. The Applicant has sufficient technical, financial and managerial competence and expertise to provide efficient and adequate service to the public. *(May 8, 2007, CON Application, page 5 and Attachment 1, pages 15 through 30)*
27. The Applicant's rates are sufficient to cover the proposed capital expenditure and operating costs associated with the proposal. *(May 8, 2007, CON Application, pages 12 & 13 and Attachment 8, pages 99 & 100)*

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.

Hill Health Corporation ("Applicant"), a federally qualified community health center, is proposing to undertake a project that will renovate existing facilities for the purpose of expanding its medical and behavioral health services and improving the health center's infrastructure. The proposal will initiate changes to the internal medicine program, pediatric services, child and family guidance services and adult psychiatric services. The proposal does not include the establishment of any new program or service.

The building portion of the project encompasses renovations of approximately 50,000 square feet at health center sites located at 420 and 428 Columbus Avenue in New Haven. The project will provide space for 4 additional internal examination rooms, 2 additional pediatric examination rooms, and an expanded child and family guidance service and adult psychiatric service space, roofing and air handling improvements and design changes to a number of clinical service areas. Building work is scheduled to commence in July 2007 with an anticipated completion date of July 1, 2008. The project has been designed in a manner which will allow for services to be provided in an uninterrupted fashion.

The Applicant indicates that demand for medical and behavioral health services has continued to be high due to a greater number of private physicians no longer seeing Medicaid patients. The Applicant's capacity for accommodating new patients is limited by clinical space constraints and the need to recruit additional professional staff. Patient encounters for the health center's internal medicine program, pediatric services, child and family guidance services and adult psychiatric services have generally been increasing, with three-year encounter averages of 22,850, 10,440, 7,400 and 6,740 visits, for each respective service. Based on the above, OHCA finds that the proposal will be effective in meeting the health center's current service needs and that the project will contribute to the accessibility of health services in the region.

The capital expenditure for the proposal is \$6,256,772. The proposal will be financed through a combination of grant funding from the Connecticut Department of Social Services totaling \$6,200,000 and operating funds totaling \$56,772. The Applicant projects incremental gains from operations of approximately \$31,297, \$42,466 and \$62,595 for operating years 1 through 3, respectively. Although OHCA can not draw any conclusions, the Applicant's volume and financial projections upon which they are based appear to be reasonable in light of the incremental increase in examination rooms and professional staff. Therefore, OHCA finds that the CON proposal is both financially feasible and cost effective.

Based on the foregoing Findings and Rationale, the Certificate of Need application of the Hill Health Corporation to renovate existing facilities that will allow for the expansion of its medical and behavioral health services, at an estimated total capital expenditure of \$6,256,772, is hereby GRANTED, subject to conditions.

Order

Hill Health Corporation, Inc. (“Applicant”) is hereby authorized to undertake a project to renovate existing facilities that will allow for the expansion of its medical and behavioral health services, at a total capital expenditure of \$6,256,772, subject to the following conditions:

1. This authorization shall expire on July 1, 2009. Should the Applicant’s project not be completed by that date, the Applicant must seek further approval from OHCA to complete the project beyond that date.
2. The Applicant shall not exceed the approved capital expenditure of \$6,256,772. In the event that the Applicant learns of potential cost increases or expects that the final project costs will exceed those approved, the Applicant shall notify OHCA immediately.
3. Should the Applicant propose any change in the array of health care services, the Applicant shall file with OHCA appropriate documentation regarding its change, including either a Certificate of Need Determination Request or a Certificate of Need Letter of Intent.

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

June 7, 2007

Signed by Cristine A. Vogel
Commissioner

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