

M. JODI RELL
GOVERNOR

STATE OF CONNECTICUT
OFFICE OF HEALTH CARE ACCESS

CRISTINE A. VOGEL
COMMISSIONER

August 25, 2009

IN THE MATTER OF:

CERTIFIED MAIL: Z005 0390 0001 3507 041

An Application for a Certificate of Need
filed pursuant to Section 19a-638, C.G.S.
by:

Notice of Final Decision
Office of Health Care Access
Docket Number: 09-31307-CON

**PTSMA, Inc., d/b/a
Select Physical Therapy**

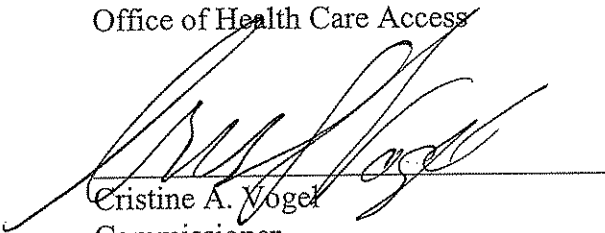
**Proposal to Establish an Outpatient
Rehabilitation Center in Ellington**

To: Melanie B. Zinn
Manager of Regulatory Affairs
Select Medical Corporation
PTSMA, Inc., d/b/a Select Physical Therapy
4714 Gettysburg Road
Mechanicsburg, PA 17055

Dear Ms Zinn:

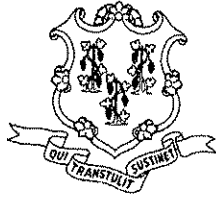
This letter will serve as notice of the Final Decision of the Office of Health Care Access in the above matter as provided by Section 19a-638, C.G.S. On August 25, 2009, the Final Decision was rendered as the finding and order of the Office of Health Care Access. A copy of the Final Decision is attached hereto for your information.

By Order of the
Office of Health Care Access



Cristine A. Vogel
Commissioner

CAV:jah



Office of Health Care Access Certificate of Need Application

Final Decision

Applicant: PTSMA, Inc., d/b/a Select Physical Therapy

Docket Number: 09-31307-CON

Project Title: Proposal to Establish an Outpatient
Rehabilitation Center in Ellington, CT

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

Filing Date: May 29, 2009

Decision Date: August 25, 2009

Default Date: August 27, 2009

Staff: Jack A. Huber

Project Description: PTSMA, Inc., d/b/a Select Physical Therapy proposes to establish an outpatient rehabilitation center at 89 West Road in Ellington, Connecticut. The proposed center will offer outpatient rehabilitation services for pediatric, adolescent, adult and geriatric patients. Services to be offered at the center will include orthopedic screenings, orthotic services, cane and crutch fitting and wellness programs. The capital cost of the proposal is \$108,000, which represents the fair market value of office space to be leased.

Nature of Proceeding: On May 29, 2009, the Office of Health Care Access ("OHCA") received PTSMA, Inc., d/b/a Select Physical Therapy's ("Applicant's") Certificate of Need ("CON") application seeking authorization to establish an outpatient rehabilitation center at 89 West Road in Ellington, Connecticut. The proposed center will offer outpatient rehabilitation services for pediatric, adolescent, adult and geriatric

patients. Services to be offered at the center will include orthopedic screenings, orthotic services, cane and crutch fitting and wellness programs. The capital cost of the proposal is \$108,000, which represents the fair market value of office space to be leased. 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-638, C.G.S., a notice to the public concerning OHCA's receipt of the Applicant's Letter of Intent was published in the *Journal Inquirer*, on February 24, 2009. OHCA received no responses from the public concerning the Applicant's proposal. Pursuant to Section 19a-638, C.G.S., three individuals or an individual representing an entity with five or more people had until June 19, 2009, 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 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

Contribution of the Proposal to the Quality and Accessibility of Health Care Delivery in the Region Impact on the Applicant's Current Utilization Statistics

1. It is found that PTSMA, Inc., d/b/a Select Physical Therapy ("Applicant") is a wholly-owned subsidiary of Select Physical Therapy Holdings, Inc., which is a wholly-owned subsidiary of Select Medical Corporation. (*February 18, 2009, Letter of Intent, page 5a*)
2. On October 31, 2007, the Office of Health Care Access ("OHCA") in an agreed settlement issued under Docket Number: 07-30953-CON, authorized HealthSouth Corporation's proposal to terminate its Connecticut Outpatient Rehabilitation Division through the sale of all its Connecticut outpatient rehabilitation centers to Select Medical Corporation, at a total capital cost of \$14,459,087. (*October 31, 2007, Agreed Settlement Order, Docket Number: 07-30953-CON*)
3. It is found that the Applicant operates 28 outpatient rehabilitation centers in Connecticut. The centers provide outpatient rehabilitation care that includes physical therapy, occupational therapy, care for sports injuries and conditions and work related injuries. (*April 9, 2009, Initial CON submission, page 7 and May 29, 2009, Completeness responses, page 268*)
4. The Applicant claims that the proposed center will serve individuals residing or working in the town of Ellington. (*May 29, 2009, Completeness responses, page 270*)

5. The Applicant claims that its other outpatient rehabilitation centers, which are situated “nearby” the proposed Ellington center, are located in the towns of Enfield, Windsor, East Granby and Mansfield (i.e. Storrs). *(May 29, 2009, Completeness responses, Attachment H, page 276)*
6. The Applicant contends that there are no outpatient rehabilitation providers located in the town of Ellington. *(April 9, 2009, Initial CON submission, pages 7 and 9)*
7. The Applicant contends that the towns, which are contiguous to Ellington, have the following number of operating outpatient rehabilitation centers respectively: Enfield- 5 (this number excludes one Applicant operated center); Tolland- 3; South Windsor- 3; Vernon- 2; and Stafford- 2. *(May 29, 2009, Completeness responses, Attachment J, page 282)*
8. The Applicant identified the following number of patients by town of origin that have been treated or seen at its Connecticut office locations from the following town groupings:

Table 1: Area Residents Treated at Applicant Offices in CT

Connecticut Town	Zip Code(s)	Number of Patients Seen at Existing Applicant Facilities
A. Area to be Served		
Ellington	06029	101
Sub-Total # Patients	-	101
B. Contiguous Towns to Ellington		
Somers	06071	79
Vernon	06066	168
Enfield	06082 & 06083	601
South Windsor	06074	352
Willington	06265	132
East Windsor	06016	119
Tolland	06084	113
Stafford	06075 - 06077	73
Sub-Total # Patients		1,637
TOTAL # PATIENTS SEEN		1,738

(April 9, 2009, Initial CON submission, page 7 and Attachment A, pages 16 through 29)

9. The Applicant contends that the population to be served by the proposed center would be approximately 433 patients. This estimate is based on the Applicant’s experience with its other Connecticut outpatient rehabilitation centers, where approximately 3% percent of Ellington’s 2007 total population of 14,426 individuals would require outpatient rehabilitation services. *(April 9, 2009, Initial CON submission, page 8 and Attachment A, pages 30 through 34 and May 29, 2009, Completeness responses, pages 269 and 270)*

10. The Applicant contends that the average number of visits per patient per year across all of its existing Connecticut outpatient rehabilitation centers is estimated to be 10.19 visits. This figure was determined by dividing total visits across all Connecticut centers by the total number of new patients. *(May 29, 2009, Completeness responses, pages 268 & 269 and Attachment H, page 276)*
11. The Applicant projects the following number of patient visits for the proposed outpatient rehabilitation center for fiscal years ("FYs") 2009 through 2011 based on the population of the town of Ellington:

Table 2: Projected Patient Visits at the Ellington Center

Fiscal Year	Number of Patient Visits	Anticipated % Growth between FYs and the Number of Operating Months in Each Respective FY
2009	2,131	- 7 months - partial fiscal year
2010	3,269	53% 12 months - full fiscal year
2011	3,367	3% 12 months - full fiscal year

(April 9, 2009, Initial CON submission, page 10 and May 29, 2009, Completeness responses, pages 268 and 269)

12. The Applicant's projected 2,131 patient visits for FY 2009 is overstated in that the number is based on twelve months of operation instead of the 7 month, partial operating fiscal year as identified by the Applicant.
13. The Applicant did not substantiate the basis for the 53% and 3% growth in the projected number of patient visits for FYs 2010 and 2011, respectively.
14. The Applicant's service volume projections were calculated by applying the estimated 213 new patients from Ellington requiring outpatient rehabilitation for fiscal year 2009 to 10 visits per patient, the average number of visits experienced by the Applicant's patients across all its existing Connecticut centers. *(May 29, 2009, Completeness responses, pages 268 and 269, Attachment K, page 285, and Attachment H, page 276)*
15. The estimated 213 new patients requiring outpatient rehabilitation from Ellington for fiscal year 2009 was determined by applying 1.5% factor to Ellington's total population of 14,426. This percentage was based upon the lowest percentage shown in existing Applicant centers in the two geographically closest towns of Enfield and Windsor, which exhibited the same 1.5% of new patient to population relationship. *(April 9, 2009, Initial CON submission, page 8 and Attachment A, page 32; and May 29, 2009, Completeness responses, pages 268 & 269, Attachment K, page 285)*

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

16. The proposal's capital cost is \$108,000, which represents the fair market value of the office space to be leased for the proposed service. *(April 9, 2009, Initial CON submission, page 13)*
17. The Applicant's proposed rates were determined as an average of the gross revenue per visit as calculated using data from Select Medical's outpatient rehabilitation centers that are operating in proximity to the proposed Ellington center. As a start-up operation, the Applicant calculated 95% of the average rate of the existing centers as the proposed center's FY 2009 rate. The rates for FYs 2010 and 2011 were increased by 3%, which is based on the Applicant's standard yearly increase. The Ellington center's proposed average rate for FYs 2009 through 2011 are as follows:

Table 3: Proposed Ellington Center Rates

Fiscal Year	Average Rate per Visit
2009	\$240
2010	\$247
2011	\$254

(April 9, 2009, Initial CON submission, page 15 and Attachment G, page 265 through 267 and May 29, 2009, Completeness responses, page 274 and Attachment M, pages 289 through 291)

18. The projected payer mix for FYs 2009 through 2011 of the proposed outpatient rehabilitation center is illustrated below. The payer mix is based on the collective operating experience of all the Applicant's Connecticut outpatient rehabilitation centers and not from the Applicant center sites in the towns closest to the proposed Ellington center:

Table 4: Payer Mix with the CON Proposal

Payer Description	FY 2009	FY 2010	FY 2011
Medicare	13.97%	13.97%	13.97%
Medicaid	0.13%	0.13%	0.13%
CHAMPUS	0.05%	0.05%	0.05%
Total Government	14.15%	14.15%	14.15%
Commercial Insurers	75.37%	75.37%	75.37%
Self-Pay	0.80%	0.80%	0.80%
Workers Compensation	9.70%	9.70%	9.70%
Total Non-Government	85.87%	85.87%	85.87%
Total Payer Mix	100.00%	100.00%	100.00%

(May 29, 2009, Completeness responses, page 273)

19. There is no State Health Plan in existence at this time. *(April 9, 2009, Initial CON submission, page 7)*

20. The Applicant claims that it has improved productivity and contained costs by employing group purchasing methods in its procurement of supplies and materials and by applying new technological applications with respect to its business operations. *(April 9, 2009, Initial CON submission, pages 11 and 12)*
21. The Applicant claims that there are no distinguishing characteristics of the projected patient/physician mix that differentiates the proposed center from other outpatient rehabilitation facilities. *(April 9, 2009, Initial CON submission, page 11)*

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.

PTSMA, Inc., d/b/a Select Physical Therapy (“Applicant”) is a wholly-owned subsidiary of Select Physical Therapy Holdings, Inc., which is a wholly-owned subsidiary of Select Medical Corporation. The Applicant operates 28 outpatient rehabilitation centers in Connecticut. The centers provide outpatient rehabilitation care that includes physical therapy, occupational therapy, care for sports injuries and conditions, and work related injuries. The Applicant proposes to establish an outpatient rehabilitation center at 89 West Road in Ellington, Connecticut.

The Applicant proposes to offer outpatient rehabilitation services for pediatric, adolescent, adult and geriatric patients. However, the Applicant has failed to support its assertion that there is a clear public need for the proposed Ellington center. Additionally, there are 4 outpatient rehabilitation centers that are operated by the Applicant in towns that are “nearby” to the proposed Ellington center. Further, the Applicant identified 15 other outpatient rehabilitation centers currently operating within towns that are contiguous to Ellington. Consequently, OHCA finds that access to outpatient rehabilitation services exists for individuals residing in Ellington and that the Applicant has not substantiated that there is an unmet need for individuals seeking outpatient rehabilitation services in Ellington. Lastly, the Applicant did not provide sufficient evidence supporting the basis of the proposed service volume increases it expects to achieve between fiscal years 2009 and 2010 and fiscal years 2010 and 2011. Accordingly, OHCA concludes that the Applicant has failed to demonstrate that a clear public need exists for the proposed service.

Based upon the lack of evidence demonstrating a clear public need for the proposal, OHCA is unable to conclude that the Applicant’s financial projections, and volumes upon which they are based, are reasonable and achievable, or that the project is financially feasible.

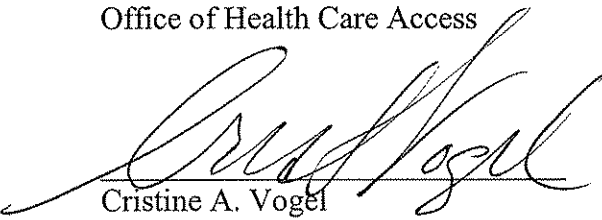
Order

Based on the foregoing Findings and Rationale, the Certificate of Need application of PTSMA, Inc., d/b/a Select Physical Therapy for the establishment of an outpatient rehabilitation center at 89 West Road in Ellington, Connecticut, at a total capital cost of \$108,000, is hereby DENIED.

All the forgoing constitutes the final order of the Office of Health Care Access in this matter.

By Order of the
Office of Health Care Access

8-25-09
Date


Cristine A. Vogel
Commissioner

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