



STATE OF CONNECTICUT
DEPARTMENT OF PUBLIC HEALTH
Office of Health Care Access

January 20, 2010

IN THE MATTER OF:

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

Notice of Final Decision
Office of Health Care Access
Docket Number: 09-31390-CON

**Community Health of Westerly, Inc.
d/b/a Community Health Center, Inc.**

**Establishment of Primary Care, Urgent
Care, and Physical Therapy Services in
North Stonington**

Jeanne LaChance
VP Operations/Finance
Community Health of Westerly, Inc.
25 Wells Street
Westerly, RI 02891

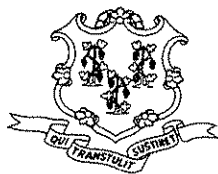
Dear Ms. LaChance:

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 January 20, 2010, 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
Deputy Commissioner

Enclosure
CAV:agf



**Department of Public Health
Office of Health Care Access
Certificate of Need Application**

Final Decision

Applicant: Community Health of Westerly, Inc.
d/b/a Community Health Center, Inc.

Docket Number: 09-31390-CON

Project Title: Establishment of Primary Care, Urgent Care, and
Physical Therapy Services in North Stonington

Statutory Reference: Section 19a-638 of the Connecticut General Statutes

Filing Date: December 16, 2009

Decision Date: January 20, 2010

Default Date: March 16, 2010

Staff: Carmen Cotto
Alexis Fedorjaczenko

Project Description: Community Health of Westerly, Inc. (“Applicant”) proposes to establish primary care, urgent care, and physical therapy services in North Stonington, at an associated capital expenditure and capital cost of \$1,240,453.

Nature of Proceedings: On December 16, 2009 the Office of Health Care Access (“OHCA”) received the Certificate of Need (“CON”) application of Community Health of Westerly, Inc. to establish primary care, urgent care, and physical therapy services in North Stonington, at an associated capital expenditure and capital cost of \$1,240,453. The Applicant is a health care facility or institution as defined by Section 19a-630 of the Connecticut General Statutes (“C.G.S.”).

A notice to the public regarding OHCA’s receipt of the Applicant’s Letter of Intent to file its CON Application was published in *The Day* on July 3, 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 January 6, 2010, 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 Impact on the Applicant's Current Utilization Statistics Contribution of the Proposal to the Accessibility and Quality of Health Care Delivery in the Region

1. It is found that Community Health of Westerly, Inc. ("Applicant") is a nonprofit, tax-exempt organization, and the sole member and parent company of The Westerly Hospital ("TWH"), a 125-bed hospital providing a range of inpatient and outpatient services at its main campus in Westerly, Rhode Island. *(September 21, 2009, Initial CON Submission, pages 17 and 29)*
2. The Applicant proposes to create a new entity, the Community Health Center, Inc. ("Center"), to be located at the North Stonington Professional Center, 183 Providence New London Turnpike, in North Stonington, Connecticut. *(September 21, 2009, Initial CON Submission, page 17)*
3. The Applicant contends that it will seek a license from the State of Connecticut Department of Public Health for an outpatient clinic. *(September 21, 2009, Initial CON Submission, pages 17 and 36)*
4. The Applicant proposes to offer five services at the proposed Center: primary care, urgent care, radiology, laboratory, and physical therapy. *(September 21, 2009, Initial CON Submission, page 18)*
5. It is found that the proposed radiology (general & fluoroscopy, ultrasound, and mammography) and laboratory services do not require CON authorization. *(September 21, 2009, Initial CON Submission, page 19)*
6. The Applicant contends that the proposal involves two existing physician practices in North Stonington, Drs. Pecher and Stocki, relocating their practices to the proposed Center, with added support from the Applicant and TWH in the way of additional personnel and ancillary services. *(September 21, 2009, Initial CON Submission, page 18 and October 23, 2009, Completeness Response, page 550)*

7. It is found that Jerzy Stocki, M.D. is a general practitioner who provides primary and urgent care to his patients at the North Stonington Walk-In Medical Center in North Stonington and has been located in North Stonington for 18 years, and that Stefana M. Pecher, M.D. is a primary care physician who started a practice in North Stonington in the fall of 2008. Both physicians are licensed by the state of Connecticut Department of Public Health. *(September 21, 2009, Initial CON Submission, pages 18, 269, and 272)*
8. The Applicant contends that Drs. Pecher and Stocki maintain privileges at TWH, which is the closest hospital to the Center's location in North Stonington. *(September 21, 2009, Initial CON Submission, page 18)*
9. The Applicant contends that with the incorporation of the proposed center Drs. Pecher and Stocki will be either employed or contracted by the Community Health Center. *(December 16, 2009, 3rd Completeness Response, page 649)*
10. The Applicant contends that the proposal is cost effective in that it combines existing primary care and urgent care services, so that patients who walk into the facility are likely to have their medical issues dealt with in one facility, and because the ancillary services of radiology and laboratory at the location will eliminate duplicative paperwork and/or computer documentation by allowing patients to have routine testing done in the same facility. *(September 21, 2009, Initial CON Submission, page 34)*
11. The Applicant provided a chart based on Medicare claims data to support its contention that having a primary care physician has been demonstrated to save the health care system money when compared to patients who do not have a primary care physician. *(September 21, 2009, Initial CON Submission, pages 34 and 255)*
12. The Applicant identified the proposed service area as including the following towns based on the existing volumes at the entities involved in the proposed project:

Table 1: Proposed Service area Towns

Connecticut	Rhode Island
Ledyard (06339)	Ashaway (02804)
Mystic (06355)*	Bradford (02808)
North Stonington (06359)	Carolina (02812)
Pawcatuck (06379)*	Charlestown (02813)
Stonington (06378)	Hope Valley (02832)
	Hopkinton (02833)
	West Kingston (02892)
	Westerly (02981)
	Wood River (02894)
	Wyoming (02898)

**Mystic and Pawcatuck are part of Stonington but have distinct zip codes.
 (September 21, 2009, Initial CON Submission, pages 19 and 21)*

13. The Applicant contends that there is no monetary or non-monetary benefit to either the Applicant or TWH for choosing the North Stonington location over any other area. The location selection was based upon market research surveys, use rate information for the area and TWH's actual experience. These factors were combined to find a location that

will best meet the needs of the patients in the primary service area. (December 16, 2009, 3rd Completeness Response, page 650)

14. To support the selection of service area towns, the Applicant provided the number of outpatient patient visits at The Westerly Hospital for FY 2009 to-date; the number of new patients from 2001 to 2009 seen by Dr. Stocki at the North Stonington Medical Walk-In Center; and the total patient count as of June 2009 for Dr. Pecher's practice. These data are presented in tables 2a through 2c, below, with the proposed service area towns highlighted in grey.

Table 2a: The Westerly Hospital Outpatient Visits

Westerly, RI (02891)	38,170	41%
Pawcatuck (06379)	11,155	12%
Hope Valley, RI (02832)	4,633	5%
Mystic (06355)	4,506	5%
Stonington (06378)	4,326	5%
Charleston, RI (02813)	4,127	4%
North Stonington (06359)	4,090	4%
Ashaway, RI (02804)	3,637	4%
Bradford, RI (02808)	3,256	3%
Groton (06340)	1,882	2%
Wyoming, RI (02898)	1,213	1%
Hopkinton, RI (02833)	940	1%
Wood River, RI (02894)	848	1%
Ledyard (06339)	790	1%
West Kingston, RI (02892)	691	1%
Carolina, RI (02812)	675	1%
Other Connecticut	2,672	3%
Other Rhode Island	4,158	4%
Other States	379	<1%
Unknown	1,965	2%
Total	94,113	--

Note: Data is for FY 2009, 10/1/08 through 7/15/09

Note: Proposed service area towns highlighted in grey.

(September 21, 2009, Initial CON Submission, page 20 and Exhibit D)

**Table 2b: North Stonington Medical Walk-In Center, PC
 (Dr. Stocki) New Patients, Town of Origin**

North Stonington (06359)	3,186	27%
Pawcatuck (06379)	1,887	16%
Westerly, RI (02891)	1,017	9%
Ledyard (06339)	826	7%
Groton (06340)	750	6%
Mystic (06355)	739	6%
Stonington (06378)	708	6%
Other Connecticut	3,000	26%
Other Rhode Island	254	2%
Total	11,700	--

Note: Data is for new patients from 5/1/01 through 08/27/09

Note: Proposed service area towns highlighted in grey.

(October 23, 2009, Completeness Response, page 605, Exhibit X)

Table 2c: Dr. Pecher, Patient Count by Town of Origin

North Stonington (06359)	103	21%
Westerly, RI (02891)	144	29%
Pawcatuck (06379)	92	18%
Bradford, RI (02808)	21	4%
Stonington (06378)	17	3%
Groton (06340)	15	3%
Ashaway, RI (02804)	12	2%
Other Connecticut	59	12%
Other Rhode Island	34	7%
Total	497	--

Note: Data is for total patient count as of 6/10/09

Note: Proposed service area towns highlighted in grey.

(September 21, 2009, Initial CON Submission, page 23 and page 72, Exhibit C and October 23, 2009, Completeness Response, page 560)

15. The Applicant contends that Drs. Stocki and Pecher have an existing patient base that will contribute to volumes at the proposed center.

Table 3a: Patient Visits, North Stonington Medical Walk-In Center, PC (Dr. Stocki)

	Patient Visits
CY 2006 *	5,341
CY 2007 *	5,762
CY 2008 *	6,163
YTD 2009 **	4,558

* Calendar year is January 1 through December 31

** 2009 YTD covers January 1 through September 30; the Applicant indicated that volumes may be down slightly due to the economic downturn, but that volume may rebound in flu season
(September 21, 2009, Initial CON Submission, page 69 and October 23, 2009, Completeness Response, page 557)

Table 3b: Primary Care Patient Visits, Dr. Pecher's Practice

FY2009	Patient Visits
September 2008	17
October 2008	84
November 2008	72
December 2008	68
January 2009	147
February 2009	154
March 2009	154
April 2009	127
May 2009	138
June 2009	145
July 2009	173
August 2009	148
September 2009	265
Total, FY 2009*	1,675

* The Applicant's fiscal year is from October 1 through September 30.

(September 21, 2009, Initial CON Submission, page 71, October 23, 2009, Completeness Response, page 557, and November 16, 2009, 2nd Completeness Response, page 645)

16. OHCA finds that the evidence provided by the Applicant demonstrated that the area to be served by the proposal could support the establishment of a center offering primary care, urgent care, and physical therapy services in North Stonington.
17. The Applicant contends that a consideration when calculating projected volumes was that the Center will be open beyond the hours Dr. Stocki presently maintains at the North Stonington Walk-In Medical Center. According to the Applicant, Dr. Stocki's practice is currently open 9:00 a.m. to 6:30 p.m. Monday through Friday and 9:00 a.m. to 2:30 p.m. on Saturday and Sunday.

Table 4: Services to Be Available at the Proposed Center

Service	Days of the Week	Hours
Primary Care	Monday-Friday	9 hrs/day
Urgent Care	Monday-Sunday	9:00 a.m. to 7:00 p.m.; 14 hrs/day
Radiology: General & Fluoroscopy	Monday-Sunday	14 hrs/day
Ultrasound	Monday-Friday	8 hrs/day *
Mammography	Monday-Friday	8 hrs/day *
Laboratory	Monday-Sunday	12 hrs/day
Physical Therapy	5 days per week *	10 hrs/day *

* Days or Hours to be extended as necessary
 (September 21, 2009, Initial CON Submission, page 18 and 24; and
 and October 23, 2009, Completeness Response, page 550)

18. The Applicant contends that the projected primary and urgent care volume is based on existing patient volumes of Drs. Stocki and Pecher, as well as the experience of TWH.

Table 5: Annual Volume Projections by Service

		FY 2011*	FY 2012*	FY 2013*
Primary Care (Visits)	CT	2,574	3,162	3,744
	RI	2,238	2,750	3,256
	Total	4,812	5,912	7,000
Urgent Care (Visits)	CT	5,615	5,883	6,204
	RI	4,885	5,117	5,396
	Total	10,500	11,000	11,600
Radiology (Procedures)	CT	1,385	2,725	4,079
	RI	1,299	2,514	3,750
	Total	2,684	5,239	7,829
Physical Therapy (Series of Treatments)	CT	684	1,380	2,121
	RI	800	1,528	2,297
	Total	1,484	2,908	4,418
Laboratory (Procedures)	CT	914	2,390	3,741
	RI	795	1,928	3,255
	Total	1,709	4,318	6,996

* The Applicant's fiscal year is from October 1 through September 30.
 (September 21, 2009, Initial CON Submission, pages 27 and 63-64)

19. The Applicant contends that an increase in primary care visits is expected to come from patients who have not yet established a primary care doctor in the area as well as from patients who are currently going to TWH on an outpatient or emergency basis due to the lack of a primary care physician. The primary care projections assume an annual increase due to growth of Dr. Pecher's practice of 33% in Year 1, 24% in Year 2, and 15% in Year 3; and an additional increase due to the availability of a physician's assistant.

Table 6: Assumptions Used to Project Primary Care Volume

	FY 2009*	FY 2010*	Year 1 FY 2011*	Year 2 FY 2012*	Year 3 FY 2013*
Total with an annual increase of 33% in Year 1; 24% in Year 2; and 15% in Year 3	1,675	2,343	3,115	3,871	4,450
Additional patient visits based on physician's assistant	--	--	1,700	2,040	2,550
Total	1,675	2,343	4,815	5,911	7,000

* The Applicant's fiscal year is from October 1 through September 30.
 (October 23, 2009, Completeness Response, pages 553-554 and
 November 16, 2009, 2nd Completeness Response, page 645)

20. The Applicant contends that Drs. Stocki and Pecher are the only primary care physicians in North Stonington and that there is one (1) primary care physician located in Stonington. According to the Applicant, an additional twenty-three (23) primary care physicians are located in the proposal's service area towns in Rhode Island (Westerly, Hope Valley/Hopkinton, Charlestown, and Block Island) and eleven (11) primary care physicians are located in Mystic, near to the service area. (September 21, 2009, Initial CON Submission, pages 25-26)
21. The Applicant contends that the primary care volume estimates for Dr. Pecher and the physician's assistant are consistent with the national standards published by the Medical Group Management Association in its 2009 Productivity Reports.

Table 7: MGMA Physician Production Survey

	Mean	Median	75 th %tile
Family Practice Physician (no inpatient work)	4,161	4,160	5,029
Physician Assistant (w/out OB)	3,070	2,888	3,992

(October 23, 2009, Completeness Response, page 553 and Exhibit V)

22. The Applicant contends that the urgent care volume projections assume a 7% annual increase (based on an actual increase of 7.9% from 2006 to 2007 and an actual increase of 7% from 2007 to 2008, see Table 3a); a 33% increase due to the center being open 67% more hours; and an increase due to the Center's accepting Medicaid, CHAMPUS, and charity care patients that may not have been able to utilize Dr. Stocki's Walk-In Center.

Table 8: Assumptions Used to Project Urgent Care Volume

	CY 2009	FY 2010*	Year 1 FY 2011*	Year 2 FY 2012*	Year 3 FY 2013*
Total with an annual increase of 7% a year from 6,163 in 2008	6,594	6,594**	7,056	7,550	8,079
Plus 33% increase due to longer hours	--	--	2,328	2,492	2,666
Plus increase due to addition of Medicaid, and CHAMPUS	--	--	1,145	1,199	1,282
Total	6,594	6,594	10,528	11,241	12,027

* The Applicant's fiscal year is from October 1 through September 30.

** The Applicant identified FY 2010 as a transition year, in which Dr. Stocki will be moving from a calendar year to the Applicant's fiscal year. The Applicant also stated that Dr. Stocki's volumes in 2010 may be affected by the economy, especially before he relocates to the new center.

(October 23, 2009, Completeness Response, pages 550-552 and November 16, 2009, 2nd Completeness Response, page 644)

23. The Applicant contends that there are no primary care or urgent care clinics located in the service area in Connecticut, and that there are five (5) primary and urgent care clinics located near the service area in Groton, New London, Norwich, and Jewett City.
(September 21, 2009, Initial CON Submission, pages 25-26)
24. The Applicant contends that the need for physical therapy was based on two factors: information obtained through the Advisory Board¹, which provides use rates by zip code, and on actual TWH's volume. *(December 16, 2009, 3rd Completeness Response, page 649)*
25. In FY 2008, residents of the primary and secondary service area for the Center had 3,848 physical therapy series performed at TWH during this time period. *(October 23, 2009, Completeness Response, page 555)*
26. The Applicant contends that the physical therapy treatment volume is based on applying a projected market share growth for the Applicant of 3% annually to the overall service area projected volume by The Advisory Board. The Applicant contends that volume at TWH will remain stable while some current hospital procedures will be transferred to the Center to accommodate the Connecticut patient base.

Table 9: Assumptions Used To Project Physical Therapy Treatment Volume

	FY 2011	FY 2012	FY 2013
Service Area: Total projected volume	31,944	33,058	33,058
Applicant's Market Share, projected to be 17% in 2011, 21% in 2012, and 25% in 2013	5,332	6,756	8,266
Projected Volume at TWH, consistent with FY 2008 actual volumes	3,848	3,848	3,848
Total Projected Physical Therapy Treatments at Proposed Center	1,484	2,908	4,418

Source: Advisory Board, Kurt Salmon, Associates and Westerly Hospital Database.

(October 23, 2009, Completeness Response, pages 556 and November 16, 2009, 2nd Completeness Response, page 644)

¹ The Advisory Board Company is a provider of comprehensive performance improvement services to the health care and education sectors.

27. The Applicant contends that there is one (1) physical therapy facility in Groton, Connecticut, and seven small physical therapy offices located nearby but outside the service area in Connecticut and Rhode Island. *(September 21, 2009, Initial CON Submission, pages 25-26)*
28. OHCA finds that the volume projections for primary care, urgent care, and physical therapy provided by the Applicant are reasonable and achievable.
29. The Applicant projects the following staffing during the first three years of operation:

Table 10: Staffing

Job Title	FY 2011	FY 2012	FY 2013
Doctor	3.5	3.5	3.5
Nurse Practitioner	1	1	1
Medical Assistant	3	3	4
Medical Assistant/Medical Secretary	3	3	3
Medical Secretary/Reception	4	4	4
Supervisor/PT	1	1	1
Physical Therapist	5	5	5
PT Aides	1.5	1.5	1.5
Aides	1.5	1.5	1.5
Athletic Trainer/Exercise Physiologist	2	2	2
Secretaries	2	2	2
Radiology Lab	4.2	7.3	7.6
Total	31.7	34.8	36.1

(September 21, 2009, Initial CON Submission, page 63)

30. The Applicant contends that the Board of Directors, which will provide governance and oversight for the Center, will be comprised of the same individuals who make up the Board of Directors from Community Health of Westerly and The Westerly Hospital. *(September 21, 2009, Initial CON Submission, page 17)*

**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
 Consideration of Other Section 19a-637, C.G.S. Principles and Guidelines**

31. The Applicant indicated that the proposal has the following expenses:

Table 11: Capital Expenditures & Costs

Architectural and Design Fees *	\$162,000
Total Capital Expenditure	\$162,000
Medical Equipment Lease **	\$164,030
Imaging Equipment Lease ***	\$384,705
Non-Medical Equipment Lease	\$529,218
Total Capital Cost	\$1,077,953
Total Capital Expenditure & Capital Cost	\$1,240,453

* The property owner will finance the renovations and construction

** Physical therapy equipment, EKG, sterilizer, and other miscellaneous equipment

*** Ultrasound and mammography equipment

(September 21, 2009, Initial CON Submission, page 33)

32. The Applicant contends that the Applicant will lease all equipment needed for the center. (October 23, 2009, Completeness Response, page 563)

33. The Applicant indicated that North Stonington Properties will finance the renovations and construction to the two existing buildings within the North Stonington Professional Center, including the addition of an elevator for access between the first and second floors. The Applicant will lease the space with all necessary renovations completed, and the cost of construction and renovation will be built into the lease. (September 21, 2009, Initial CON Submission, pages 30 and 38-39)

34. The Applicant contends that the proposed project will have operating losses in the first two years of operation, but overall losses only in the first year of operation, due to start-up expenses.

Table 12: Projected Gains/ (Losses) by Fiscal Year

	FY 2011	FY 2012	FY 2013
Net Patient Revenue	\$2,671,454	\$3,914,918	\$5,215,163
Other Operating Revenue *	\$28,080	\$28,922	\$29,790
Revenue from Operations	\$2,699,534	\$3,943,840	\$5,244,953
Total Operating Expense	\$4,169,939	\$4,022,100	\$4,144,517
Gain/(Loss) from Operations	(\$1,470,405)	(\$78,260)	\$1,100,436
Non-Operating Revenue **	\$113,200	\$172,596	\$177,774
Revenue Over/(Under) Expense	(\$1,357,205)	\$94,336	\$1,278,210

* Fees received for training offered to sports teams

** Rent received from physicians leasing office space at the facility
 (September 21, 2009, Initial CON Submission, pages 34 and 42 and
 October 23, 2009, Completeness Response, page 567)

35. The Applicant contends that in the spring of 2009, the Applicant entered into a three-year contract with Blue Cross to work toward improved primary care access, improved quality

and efficiency of services and emphasis on health versus illness for its health care region, and that the proposed Center will meet the same expectations. *(September 21, 2009, Initial CON Submission, page 34)*

36. The Applicant contends that in general, Medicare payments (or rates) are equal to the cost of providing a service, and that because some payers pay considerably less than the cost of providing the service, while others pay more, by setting its rates at twice the Medicare allowable rate in the Center’s service area, the Applicant is ensuring that it can receive the negotiated rate from each payer. *(September 21, 2009, Initial CON Submission, page 33 and October 23, 2009, Completeness Response, page 562)*
37. The Applicant contends that the proposed center will be affiliated with TWH and the center will bill the patients receiving services at the proposed location. Based on the data provided by the Applicant the proposed charges for new patients at the center in comparison to TWH’s Emergency Department room charges are lower except for charges for new patients classified at level 1.

Table 13: Billing/charges for the proposed center vs. Emergency Department charges

Description	Urgent and Primary Care Center Charges	Description	TWH Emergency Room charges
New Patient Level 1*	\$77	ER Level 1*	\$62
New Patient Level 2	\$132	ER Level 2	\$140
New Patient Level 3	\$192	ER Level 3	\$269
New Patient Level 4	\$295	ER Level 4	\$555
New Patient Level 5	\$372	ER Level 5	\$709

**It is found that in the American Medical Association “CPT 2008-current procedural terminology” Standard Edition, pages 9-10, new patient level 1-CPT code 99201 is defined as an office visit or other outpatient visits requiring the following components: a problem focused on history and examination, and straightforward medical decision making. The problem(s) are self limited or minor. Physicians typically spend 10 minutes face- to- face with the patient and /or family. ER level 1-CPT code 99281 is defined in similar way as new patient level 1 however, the American Medical Association does not state the physician’s time spend with the patient.
 (December 16, 2009, 3rd Completeness Response, page 647 and 649)*

38. The Applicant contends that the charges on the table below are the initial charges for a patient visiting the existing North Stonington Walk-in Center compared to the same patient visiting the proposed center. Beyond the initial flat rate, the charges will vary depending upon the level of care Dr. Stocki determines that the patient requires.

Table 14: Average current charges for the North Stonington Walk-in-Center and the projected average charges for the proposed center

Description	North Stonington Walk-in-Center	Projected average urgent care center charges
New Patient	\$65	\$77
Established Patient	\$55	\$39

(December 16, 2009, 3rd Completeness Response, page 647)

39. The Applicant contends that in the first three years of operation, it will charge the following rates:
 - \$231 per primary care visit;
 - \$239 per urgent care visit; and
 - \$1,162 per series of physical therapy treatments.*(October 23, 2009, Completeness Response, pages 568-589)*
40. The Applicant did not provided the current and projected average cost (co-pay) to the patients by services at the North Stonington Walk-in-Center and the proposed center as asked by OHCA. The Applicant claims that they were unable to provide the average co-pay to the patients as people have various insurance plans which can change at any time, can range significantly and may include high deductible plans. *(December 16, 2009, 3rd Completeness Response, page 647)*
41. OHCA finds that the Applicant’s proposed funding sources and rates are reasonable and sufficient to cover the anticipated costs of this proposal.
42. OHCA finds that the Applicant’s proposed rates and charges for urgent care are reasonable and are generally similar to or less than rates charged by TWH’s ED.
43. The Applicant contends that Drs. Stocki and Pecher will not receive any per-visit revenue and that no direct revenue will be made to TWH as a result of this proposal. *(December 16, 2009, 3rd Completeness Response, page 649)*
44. The Applicant contends that after allowances and deductions, it will receive the following net revenue per visit (primary and urgent care) or treatment series (physical therapy) by payer type:

Table 15: Net Revenue per Visit or Treatment Series, FY 2011

Payer Description	Primary Care	Urgent Care	Physical Therapy
Medicare	\$98	\$101	\$336
Medicaid	\$59	\$60	\$349
CHAMPUS/TriCare	\$58	\$60	\$254
Total Government	\$91	\$94	\$336
Commercial Insurers	\$123	\$126	\$482
Workers Compensation	\$0	\$0	\$854
Uninsured	\$80	\$83	\$401
Total Non Government	\$119	\$122	\$520
Total All Payers	\$103	\$106	\$444

(October 23, 2009, Completeness Response, pages 571-2 and 575)

45. The Applicant contends that Connecticut Medicaid pays approximately 7% more than Rhode Island Medicaid on the outpatient basis as measured by TWH’s payments. In order to factor in the overall impact of Connecticut payors including the commercial payors, a 5% increase was factored into the financials. *(December 16, 2009, 3rd Completeness Response, page 650)*
46. In a completeness response, the Applicant indicated that the Center’s projected volumes would exceed the minimum number of units required to break even (based on net revenue per unit of service) for urgent care in each of the first three years of operation,

but that the Center’s projected volumes would not meet the break-even utilization for primary care in each year, and physical therapy in the first two years. *(October 23, 2009, Completeness Response, page 562)*

47. The Applicant contends the patient population mix (total number of patients) for the first three years of operation of the proposal is based on the patient population mix for clinics and outpatient services experienced by TWH, which are similar to those proposed to be offered at the Center.

**Table 16: Projected Patient Population Mix
 (Based on Total Number of Patients) with the Proposal**

Payer Description	FY 2011	FY 2012	FY 2013
Medicare *	30.3%	30.3%	30.3%
Medicaid *	1.5%	1.5%	1.5%
CHAMPUS and TriCare	1.6%	1.6%	1.6%
Total Government	33.4%	33.4%	33.4%
Commercial Insurers *	61.3%	61.3%	61.3%
Workers Compensation	1.3%	1.3%	1.3%
Uninsured	4.0%	4.0%	4.0%
Total Non-Government	66.6%	66.6%	66.6%
TOTAL	100%	100%	100%

** Includes managed care activity.*

(September 21, 2009, Initial CON Submission, page 31)

48. The Applicant contends the patient population mix (by total number of visits or series of treatments) by service is as follows, and will remain the same in each of the first three years of operation of the proposal.

**Table 17: Projected Patient Population Mix
 (Based on Total Visits or Series of Treatments) By Service**

Payer Description	Primary Care	Urgent Care	Physical Therapy	Radiology	Lab	Total
Medicare	46%	46%	32%	30%	36%	42%
Medicaid	9%	9%	8%	4%	4%	8%
CHAMPUS/TriCare	2%	2%	1%	1%	2%	2%
Total Government	57%	57%	41%	36%	42%	52%
Commercial Insurers	39%	39%	50%	62%	58%	44%
Workers Compensation	0%	0%	6%	1%	0%	1%
Uninsured	4%	4%	2%	1%	1%	3%
Total Non Government	43%	43%	59%	64%	58%	48%
Total All Payers	100%	100%	100%	100%	100%	100%

(October 23, 2009, Completeness Response, pages 571-572 and 575)

49. The Applicant contends that TWH and the Center are nonprofit entities that provide care regardless of the payer. *(September 21, 2009, Initial CON Submission, page 31)*

50. TWH's audited financial statements indicated that the hospital experienced operating losses in total of \$1.1 million in FY 2008. However, the hospital ended the year in the black with an excess of revenues over expenses of \$511,500 due to recurring gains in the hospital's non-operating revenue in total of \$1.2 million for FY 2008. *(September 21, 2009, Initial CON Submission, page 224)*
51. The Applicant provided a copy of its charity care policy for the Center which outlines the procedures associated with its policy of providing payment plans, discount programs, and prompt pay discounts, along with provision of essential medical care without charge to the uninsured with incomes up to 200% of the Federal Poverty Limits (and limited assets), and discounted care for incomes between 200% and 300% of the Federal Poverty Limits. *(October 23, 2009, Completeness Response, pages 632-635, Exhibit Z)*
52. There is no State Health Plan in existence at this time. *(September 21, 2009, Initial CON Submission, page 35)*
53. The Applicant contends that this proposal is consistent with its long-range plan, which includes the establishment of an outpatient facility for the community offering primary and urgent care and supporting ancillary services, along with physical fitness and preventative care. *(September 21, 2009, Initial CON Submission, page 35)*
54. The Applicant contends that since this is new facility, all efforts will be made to contain costs from the beginning, but did not provide evidence. The Applicant stated that productivity is expected to increase with ancillary services available in the same facility as primary and urgent care. *(September 21, 2009, Initial CON Submission, page 36)*
55. There are no distinguishing characteristics of the Applicant's patient/physician mix that make the proposal unique. *(September 21, 2009, Initial CON Submission, page 36)*
56. The Applicant has sufficient technical, managerial, and clinical competence and expertise to provide efficient and adequate service to the public, as evidenced by the resumes of personnel from TWH involved with the project, and by the resumes of Drs. Stocki and Pecher. *(September 21, 2009, Initial CON Submission, page 35)*

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.

Community Health of Westerly, Inc. (“Applicant”) is a nonprofit, tax-exempt organization, and the sole member and parent company of The Westerly Hospital (“TWH”), a 125-bed hospital providing a range of inpatient and outpatient services at its main campus in Westerly, Rhode Island. The Applicant proposes to establish primary care, urgent care, and physical therapy services through the incorporation of a new entity, the Community Health Center, Inc. (“Center”), to be located at the North Stonington Professional Center, 183 Providence New London Turnpike, in North Stonington, Connecticut.

The Applicant contends that the proposal involves two existing physician practices in North Stonington relocating to the proposed Center, with added support from the Applicant and TWH in the way of additional personnel and ancillary services. According to the Applicant, the primary care volume projections are based on Dr. Pecher’s existing patients, with growth coming from patients who have not yet established a primary care doctor in the area and from patients who are currently going to TWH on an outpatient or emergency basis; urgent care projections are based on an expansion of clinic hours beyond what is currently offered by Dr. Stocki, and on the proposed center’s ability to accept Medicaid, CHAMPUS, and charity care patients that may not have been able to utilize Dr. Stocki’s practice; and physical therapy volumes are based on TWH experience and on projected market share growth. OHCA finds that the evidence provided by the Applicant demonstrated that the North Stonington area could support the establishment of the proposed services, and that the volume projections provided by the Applicant are reasonable and achievable. Based on the above, OHCA concludes that the proposal will improve access to primary care, urgent care, and physical therapy services for individuals in the North Stonington area.

The proposed project has an associated capital expenditure and capital cost of \$1,240,453, for architectural and design fees and the leasing of medical, imaging, and non-medical equipment. With the proposal the applicant projects a loss from operations in FY 2011 due to start-up expenses, but projects gains in FY 2012 and FY 2013. OHCA finds that the Applicant’s proposed funding sources and rates are reasonable and sufficient to cover the anticipated costs of this proposal, and that the proposed rates and charges for urgent care are generally similar to or less than rates charged by TWH’s ED. Therefore, OHCA concludes that the project is financially feasible and will improve access to the proposed services.

Order

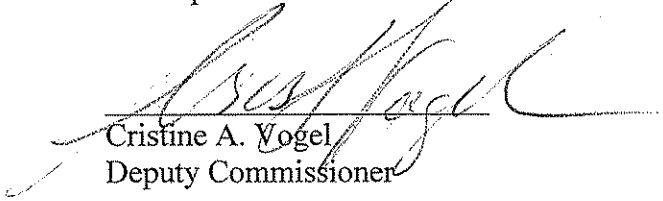
The proposal of Community Health of Westerly, Inc. to establish primary care, urgent care, and physical therapy services in North Stonington, at an associated capital expenditure and capital cost of \$1,240,453 is hereby GRANTED, subject to the following conditions:

1. Should the Applicant propose any change in the array of health care services offered, 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.

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
Department of Public Health

1-20-10
Date


Cristine A. Vogel
Deputy Commissioner

CAV; cgc; agf