Office of Health Care Access
Certificate of Need Application

Final Decision

Applicant:	**Gaylord Hospital, Inc.**
Docket Number:	**07-31045-CON**
Project Title:	**Acquisition and Operation of a 16-Slice CT Scanner**
Statutory Reference:	**Sections 19a-638 and 19a-639 of the Connecticut General Statutes**
Filing Date:	**February 28, 2008**
Decision Date:	**May 13, 2008**
Default Date:	**May 28, 2008**
Staff Assigned:	**Diane Duran**

Project Description: Gaylord Hospital, Inc. ("Hospital") proposes to acquire and operate a 16-slice computed tomography scanner at the Hospital, located at Gaylord Farms Road in Wallingford, at a total capital expenditure of $753,256.

Nature of Proceedings: On February 28, 2008, the Office of Health Care Access ("OHCA") received a completed Certificate of Need ("CON") application from Gaylord Hospital seeking authorization to acquire and operate a 16-slice computed tomography ("CT") scanner at the Hospital, located at Gaylord Farms Road in Wallingford, at a total capital expenditure of $753,256. 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 Sections 19a-638 and 19a-639 of the Connecticut General Statutes ("C.G.S."), a notice to the public concerning OHCA's receipt of the Hospital's Letter of Intent was published in *The Record Journal* on October 9, 2007.

Pursuant to Sections 19a-638 and 19a-639, C.G.S. three individuals or an individual representing an entity with five or more people had until March 20, 2008, the twenty-first calendar day following the filing of the Hospital'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 Sections 19a-638 and 19a-639, C.G.S. The provisions of these sections 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 non-profit chronic disease hospital located at Gaylord Farm Road in Wallingford. *(January 17, 2008, Initial CON Submission, page 1 and September 28, 2007, Letter of Intent)*

2. The Hospital operates as a long-term acute care ("LTAC") hospital that specializes in the care and treatment of medically complex and rehabilitation patients. LTAC is a recognized designation by the Centers for Medicare and Medicaid Services for acute care hospitals whose average length of stay is at least 25 days. *(January 17, 2008, Initial CON Submission, page 6 and September 28, 2007, Letter of Intent)*

3. An LTAC hospital provides specialized care services to manage the medical conditions of patients with catastrophic or acute illness and injuries. *(January 17, 2008, Initial CON Submission, page 6 and September 28, 2007, Letter of Intent)*

4. The Hospital currently provides inpatient and outpatient diagnostic x-rays and fluoroscopy, and ultrasound imaging as contracted services. *(September 28, 2007, Letter of Intent, page 6)*

5. In accordance with the approved Certificate of Need ("CON") Docket Number: 06-30808-CON, the Hospital will be increasing its bed capacity from 109 to 137 beginning in November 2008. *(January 17, 2008, Initial CON Submission, page 6 and September 28, 2007, Letter of Intent)*

6. The Hospital is proposing to acquire and operate a 16-slice computed tomography ("CT") scanner. The Hospital stated that it has seen a steady increase in the need for CT scans as part of their plan of care, primarily due to the increasing medical complexity of their patients. *(January 17, 2008, Initial CON Submission, page 6 and September 28, 2007, Letter of Intent)*

7. The Hospital states that during a patient stay the need for a CT scan is required as part of the course of treatment and as a diagnostic evaluation tool in an emergent situation. (*January 17, 2008, Initial CON Submission, page 10)*

8. The Hospital intends to acquire a Philips, 10003 Brilliance CT 16 Slice (5.0MHU) scanner. The proposed scanner will feature high image quality, and will improve patient throughput. *(January 17, 2008, Initial CON Submission, Attachment H, Quotation, pages 131 & 132)*

9. The Hospital's hours of operation are twenty-four hours a day, seven days a week. The Hospital will provide the same hours of operation for the CT scan service. *(January 17, 2008, Initial CON Submission, page 17)*

10. The Hospital states that the need for the CT scan service was based on a number of factors as follows: (*January 17, 2008, Initial CON Submission, page 9)*
    - Inpatient occupancy levels at the Hospital;
    - Volume of CT scanner service for inpatient care;
    - Inefficiencies in utilizing outside CT scanner services;
    - Decreased ability to provide comprehensive LTAC level of care; and
    - Anticipated growth in demand for LTAC beds.

11. The Hospital states that the number of CT scans provided to the Hospital's inpatients are as follows: (*January 17, 2008, Initial CON Submission, page 10 and February 19, 2008, Additional Completeness Responses page 2)*

Table 1: Annual Volume of Inpatient CT Scans

Fiscal Year	Annual Number of CT Scans
FY 2005 *	108
FY 2006 *	132
FY 2007 *	240
FY 2008 **	240

Note: Each fiscal year begins October 1st and concludes September 30th
* Estimated based upon emergent transfers and ordered CT scans
** Report annualized figures based on first quarter actual results and projected second through fourth Quarter estimates.

12. The Hospital notes that approximately 16% of the medically complex patient population required a CT scan during their inpatient stay in FY 2007. (*January 17, 2008, Initial CON Submission, page 11)*

13. The Hospital states that the patients are currently transferred to acute care hospitals for the following CT scans: (*January 17, 2008, Initial CON Submission, page 9 and February 19, 2008, Additional Completeness Responses page 3)*
    - Abdomen/pelvis;
    - Chest-high resolution spiral;
    - Head CT;
    - Spine including neck; and
    - Whole body scans.

14. The Hospital states that there are many inefficiencies in utilizing outside CT scan services as follows: (*January 17, 2008, Initial CON Submission, page 10 and February 19, 2008, Additional Completeness Responses page 4)*
    - Consumption of clinical staff resources;
    - Increased in patient cost; and
    - Interruption in patient care.

15. The Hospital indicates that many of the inpatients requiring CT scans are either cognitively impaired or are on ventilator support. In most cases clinical staff need to escort the patient which is an inefficient use of resources. (*January 17, 2008, Initial CON Submission, page 11 and February 19, 2008, Additional Completeness Responses page 4)*

16. The Hospital states that for the Medicare patients (over 50% of the current population), the Hospital is responsible for the costs incurred in ambulance transportation as well as the receiving hospital's charges of CT scans, physician and related services. (*January 17, 2008, Initial CON Submission, page 11)*

17. The Hospital indicates that in the case of emergent transfers, when a patient is sent to a local hospital emergency room for a CT scan, the entire process from internal identification of patient need to patients returning to Gaylord is approximately 6 hours, which causes interruption in patient care. (*January 17, 2008, Initial CON Submission, page 11)*

18. The Hospital states that over the past six months there have been 50 patients scheduled for a CT scan to rule out pulmonary embolism and with interventions for pulmonary embolisms, the majority of these patients could have been cared for without transfer, had the diagnostic tools been available at the Hospital. (*January 17, 2008, Initial CON Submission, page 12)*

19. The following table reports the number of Hospital patients transferred for CT scan services to outside facilities in FY 2007: *(January 17, 2008, Initial CON Submission, page 16 and February 19, 2008, Additional Completeness Responses page 6)*

Table 2: Number of CT Scans by Hospital Patients Transferred in FY 2007

Hospital	Emergent	Scheduled	Total
MidState Medical Center	30	56	**86**
Yale New-Haven	30	28	**58**
Saint Mary's	16	10	**26**
Saint Raphael	16	8	**24**
Waterbury	8	4	**12**
Hartford	7	2	**9**
Middlesex	4	5	**9**
Griffin	4		**4**
Other	5	7	**12**
Total	**120**	**120**	**240**

20. The Hospital states that based upon CT scan usage, (December 2006 – November 2007), approximately 31% (74/240) of the patients that were sent out for CT scans were admitted to acute care hospitals. *(January 17, 2008, Initial CON Submission, page 12, and February 19, 2008, Additional Completeness Responses page 5)*

21. The following table reports the number of emergent and scheduled Hospital patients transferred for CT scan services by program/patient condition in FY 2007: *(February 19, 2008, Additional Completeness Responses pages 5and 6)*

Table 3: Number of Hospital Patients Transferred for CT Scans Service by Program/Patient Condition

Program/Patient Condition	Emergent	Scheduled	Total
Stroke	24	33	57
Medically Complex	32	18	50
Pulmonary	20	27	47
Brain Injury Rehab	20	20	40
Vent	10	10	20
Spinal Cord Injury Rehab	8	8	16
Orthopedic Rehab	5	4	9
Neurologic Rehab	1	0	1
Total	**120**	**120**	**240**

22. The Hospital is projecting the following number of patients receiving CT scans at the Hospital as follows: *(January 17, 2008, Initial CON Submission, page 18 and February 19, 2008, Additional Completeness Responses page 2)*

Table 4: Projected CT Scans

	FY 2008*	FY 2009**	FY 2010	FY 2011	FY 2012
Number of CT Scans	240	264	278	284	284
Annual Average Percentage	0%	10%	5%	2%	0%

Notes: *Report annualized figures based on first quarter actual results and projected second through fourth Quarter estimates.
**Anticipated implementation date of November 2009 for CT Service. FY 2009 data anticipated to include offsite CT scans conducted early in the fiscal year, followed by CT scans being conducted in-house.

23. The Hospital states that the projected CT scan volume assumptions are as follows: *(January 17, 2008, Initial CON Submission, page 18)*
    - Additional beds will open November 1, 2008;
    - Occupancy levels are projected to be 90% in FY 2009, 95% in FY 2010, and 97% in FY 2011; and
    - Percentage of patient discharges derived from FY 2007 actual of 16% (240 CT scan for 1.422 discharges) extrapolated against the projected number of discharges for FY 2009 –FY 2011.

Financial Feasibility and Cost Effectiveness of the Proposal and its Impact on the Hospital's Rates and Financial Conditions
Impact of the Proposal on the Interests of Consumers of Health Care Services and the Payers for Such Services
Consideration of Other Section 19a-637, C.G.S. Principles and Guidelines

24. The Hospital's total capital expenditure of the CON proposal is $753,256. The total capital expenditures are itemized as follows: *(January 17, 2008, Initial CON Submission, pages 24 & 25)*

Table 5: Total Capital Expenditure

Imaging Equipment (Purchase)	$474,256
Non-Medical Equipment (Purchase)	$5,000
Construction/Renovation	$274,000
Total Capital Expenditure	**$753,256**

25. The project will be financed through the Hospital's equity fund. *(January 17, 2008, Initial CON Submission, page 27)*

26. The costs of the renovation include the following components: *(January 17, 2008, Initial CON Submission, page 25)*

Table 6: Renovations Capital Expenditure Components

Project Component	Renovations	Total Cost
Building	$217,000	$217,000
Site Work	0	0
Off-site Work	0	0
Architects and Engineers Cost	17,000	17,000
Contingency	40,000	40,000
Total Construction and Renovations Budget	**$274,000**	**$274,000**

27. The Hospital states that the CT scanner will be installed within the radiology department in the Luscomb Building and that its radiology department will be enlarged by approximately 400 square feet to accommodate the CT scanner as well as the control room. *(January 17, 2008, Initial CON Submission, page 25)*

28. The Hospital states that the renovations will have no impact on the delivery of inpatient care. Patients receiving CT scans currently are transported via ambulance from the Hospital to a receiving facility for care. *(January 17, 2008, Initial CON Submission, page 26)*

29. The Hospital anticipates that the completion of commencement renovations and Department of Public Health licensure are scheduled to occur in October 2008. The commencement of operations of the new CT scanner will occur on November 1, 2008. *(January 17, 2008, Initial CON Submission, page 26)*

30. The Hospital states that the payers typically are paying for ambulance, CT scans and related physician costs for outside CT scan. *(January 17, 2008, Initial CON Submission, page 7)*

31. Gaylord Hospital's projected incremental revenue from operations, total operating expense, and gain/loss from operations associated with the CON proposal are as follows: *(January 17, 2008, Initial CON Submission, page 153, and February 28, 2008, Additional Completeness Responses pages 1 through 5)*

Table 7: Financial Projections Incremental for the CON Project Proposal

Description	FY 2009	FY 2010	FY 2011
Incremental Revenue from Operations	$0	$0	$0
Incremental Total Operating Expense*	($36,124)	($47,098)	($48,932)
Incremental Gain/(Loss) from Operations	**($36,124)**	**($47,098)**	**($48,932)**

Note: * Projected operating expenses with the project included a savings average $282,612 per year attributable to professional services which would have been incurred if the present process of offsite CT imaging were continued.

32. The Hospital states that there are no projected revenues from the CT scanner service in its first three years of operation because the Hospital is paid on DRG basis for Medicare patients and a per diem basis for all other patients. The Hospital indicates that each is inclusive of all services provided during an inpatient stay. Once the services are initiated, the service costs will remain with the Hospital and with no corresponding additional funding by payers. Therefore, the projections do not include any additional revenue. *(February 19, 2008, Completeness Responses page 8)*

33. Gaylord Hospital's projected payer mix for the first three years of operation for the proposed CT scanner is presented and compared to the current payer mix in the following table : *(January 17, 2008, Initial CON Submission, pages 28 and 155)*

Table 8: Three-Year Projected Payer Mix for the CON Proposal

Payer Mix	Current	Year 1	Year 2	Year 3
Medicare*	52.00%	52.00%	52.00%	46.48%
Medicaid**	12.00%	12.00%	12.00%	12.00%
Campus and TriCare	0.00%	0.00%	0.00%	0.00%
Total Government	**64.00%**	**64.00%**	**64.00%**	**64.00%**
Commercial Insurers*	36.00%	36.00%	36.00%	36.00%
Total Non-Government	**36.00%**	**36.00%**	**36.00%**	**36.00%**
Total Payer Mix	**100%**	**100%**	**100%**	**100%**

*Note: * Includes managed care activity.*
***Includes other medical assistance.*

34. There is no State Health Plan in existence at this time. *(January 17, 2008, Initial CON Submission, page 8)*

35. The Hospital has adduced evidence that this proposal is consistent with its long-range plan. *(January 17, 2008, Initial CON Submission, page 8)*

36. The Hospital has improved productivity and contained costs by undertaking facility activities involving group purchasing, application of new technology and the reduction in workers compensation cost due to an increased focus on employee safety. *(January 17, 2008, Initial CON Submission, page 21)*

37. The Hospital has no current teaching and research responsibilities that would be affected as a result of the proposal. *(January 17, 2008, Initial CON Submission, page 22)*

38. The Hospital believes that as one of only two LTAC hospitals in the State of Connecticut, the Hospital is unique in having patients who are generally acutely ill and require extended hospitalization. The Hospital has a wide range of physician specialists some employed and others are consulting staff. *(January 17, 2008, Initial CON Submission, page 22)*

39. The Hospital has sufficient technical, financial, and managerial competence and expertise to provide efficient and adequate service to the public. *(January 17, 2008, Initial CON Submission, page 20)*

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.

Gaylord Hospital, Inc. ("Hospital") is a non-profit chronic disease hospital located at Gaylord Farm Road in Wallingford, Connecticut. The Hospital operates as a long-term acute care ("LTAC") hospital that specializes in the care and treatment of medically complex and rehabilitation patients. LTAC is a recognized designation by the Centers for Medicare and Medicaid Services for acute care hospitals whose average length of stay is at least 25 days. LTAC provides specialized care services to manage the medical conditions of patients with catastrophic or acute illness and injuries. The Hospital provides inpatient and outpatient diagnostic x-rays and fluoroscopy, and ultrasound images through a contracted service. The Hospital is proposing to acquire and operate a 16-slice computed tomography ("CT") scanner that will be installed within the radiology department in the Luscomb Building.

The Hospital has experienced a significant increase of 120 to 240 (50%) in the number of Hospital patients transferred, primarily due to the increasing medical complexity of their patients. During a patient stay the treatment for a CT scan is required as part of the course of care and as a diagnostic evaluation tool in an emergent situation. Approximately 16% of the medically complex patient population required a CT scan during their inpatient stay in FY 2007. Additionally based upon CT scan usage, (December 2006 – November 2007), approximately 31% (74/240) of the patients that were sent out for CT scans were subsequently admitted to the acute care hospital.

The Hospital indicates that in the case of emergent transfers, when a patient is sent to a local hospital emergency room for a CT scan, the entire process from internal identification of patient need to patient returning to Gaylord is approximately 6 hours, which causes interruption in patient care. The Hospital states that over the past six months there have been 50 patients scheduled for CT scans to rule out pulmonary embolism and with interventions for pulmonary embolisms, the majority of these patients could have been cared for without transfer, had the diagnostic tools been available at the Hospital. The Hospital is responsible for the costs incurred in ambulance transportation of Medicare patients, as well as the receiving hospital's charges of CT scans, physician and related services. Based on the foregoing reasons, OHCA finds that the CON proposal of a 16-slice CT scanner will improve both the quality and continuity of care of the Hospital's medically complex patients.

The total capital cost for the CON proposal is $753,256 which consists of $474,256 for the CT scanner equipment, $5,000 for all non-medical equipment and $274,000 for the construction and renovations budget required to accommodate the CT scanner. The project will be financed through the Hospital's equity funds. Although Gaylord Hospital projects incremental expenses losses associated with the CON proposal. There are no projected revenues from the CT scanner service in its first three years of operation because the Hospital is paid on DRG basis for Medicare patients and a per diem basis for all other patients. The Hospital indicates that each is inclusive of all services provided during an inpatient stay. Once the services are initiated, the service costs will remain with the Hospital and with no corresponding additional funding by payers. Projected operating expenses with the project included a savings average $282,612 per year attributable to professional services which would have been incurred if the present process of offsite CT imaging were continued. Although OHCA can not draw any conclusions, the Hospital's financial projections upon which they are based appear to be reasonable. Therefore, OHCA finds that the CON proposal is in the best interests of consumers and payers.

Order

Based on the foregoing Findings and Rationale, the Certificate of Need application of Gaylord Hospital, Inc. ("Hospital") is hereby authorized to acquire a 16-slice computed tomography ("CT") scanner at the Hospital, located at Gaylord Farms Road in Wallingford, at a total capital expenditure of $753,256, is hereby GRANTED, subject to the following conditions:

1. This authorization shall expire on May 13, 2009. Should the Hospital's CT imaging project not be completed by that date, the Hospital must seek further approval from OHCA to complete the project beyond that date.

2. The Hospital shall not exceed the approved total capital expenditure of $753,256. In the event that the Hospital learns of potential cost increases or expects that final project costs will exceed those approved, the Hospital shall notify OHCA immediately

3. The Applicant shall notify OHCA in writing of the following information by no later than one month after the new scanner becomes operational:
   a) The name of the CT scanner manufacturer;
   b) The model name and description of the scanning unit; and
   c) The initial date of the operation of the CT scanner.

Should the Applicant fail to comply with any of the aforementioned conditions, OHCA reserves the right to take additional action as authorized by law.

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

Signed by Commissioner Vogel on May 13, 2008

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Date Cristine A. Vogel
Commissioner

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