



## **Office of Health Care Access**

### **Final Decision**

**Applicants:** Shields Health Care Group,  
Baystate Medical Center, Inc., and  
Radiology and Imaging, Inc. d/b/a  
Shields MRI of Glastonbury, LLC

**Docket Number:** 01-1000

**Project Title:** Establish a Freestanding MRI Center in Glastonbury

**Statutory Reference:** Sections 19a-638 and 19a-639, Connecticut General Statutes

**Filing Date:** July 20, 2001

**Hearing Dates:** September 6, 2001  
September 25, 2001

**Presiding Officer:** Raymond J. Gorman

**Intervenors:** Mandell & Blau, M.D.s, P.C.  
Eastern Connecticut Health Network  
Hartford Hospital and Jefferson X-Ray Group, P.C.  
Saint Francis Hospital and Medical Center

**Decision Date:** October 17, 2001

**Default Date:** October 18, 2001

**Staff:** Kim Martone  
Laurie Greci  
Steven Lazarus

**Project Description:** Shields Health Care Group, Baystate Medical Center, and Radiology and Imaging, Inc. d/b/a Shields MRI of Glastonbury, LLC (“Applicants”) propose to establish a Freestanding MRI Center in Glastonbury, Connecticut at a capital expenditure of \$3,000,000, plus \$105,000 for the estimated fair market value of leased space, for a total capital cost of \$3,105,000, which does not include any capitalized financing costs.

**Nature of Proceedings:** On July 20, 2001, the Office of Health Care Access (“OHCA”) received the Certificate of Need (“CON”) Application of Shields Health Care Group, Baystate Medical Center, and Radiology and Imaging, Inc. d/b/a Shields MRI of Glastonbury, LLC seeking authorization to establish a Freestanding MRI Center in Glastonbury, Connecticut at a capital expenditure of \$3,000,000, plus \$105,000 for the estimated fair market value of leased space, for a total capital cost of \$3,105,000, which does not include any capitalized financing costs. Shields MRI of Glastonbury, LLC is a health care facility or institution as defined by Section 19a-630 of the Connecticut General Statutes (“C.G.S.”).

Public hearings were held on September 6, 2001 and September 25, 2001. The Applicants were notified of the date, time, and place of the hearing and a notice to the public was published prior to the hearing in the *Journal Inquirer* (Manchester) and *The Hartford Courant*. Commissioner Raymond J. Gorman is the Presiding Officer for this case. The Commissioner delegated the authority of designation on status of participants to Patricia A. Gerner, Director, Health System Development, with final decision-making authority retained by the Presiding Officer. The hearing was conducted as a contested case in accordance with the provisions of the Uniform Administrative Procedure Act (Chapter 54 of the Connecticut General Statutes) and Sections 19a-638 and 19a-639, C.G.S.

Mandell & Blau, M.D.s., P.C. petitioned for party or alternatively intervenor status with full rights and was granted intervenor status with limited rights. Eastern Connecticut Health Network petitioned and was granted intervenor status with full rights including cross-examination of the Applicants. Hartford Hospital and Jefferson X-Ray petitioned and were granted intervenor status with full rights including cross-examination of the Applicants. Saint Francis Hospital and Medical Center petitioned and was granted intervenor status with full rights including cross-examination of the Applicants.

The Presiding Officer heard testimony from witnesses for the Applicants and the Intervenors. OHCA’s authority to review, 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 considered by OHCA in its review.

## Findings of Fact

### Clear Public Need

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

1. Shields Health Care Group, Baystate Medical Center, and Radiology and Imaging, Inc. d/b/a Shields MRI of Glastonbury, LLC ("Applicants") propose to establish a Freestanding MRI Center ("Center") in Glastonbury, Connecticut. *(July 20, 2001 CON Application, page 1)*
2. Shields MRI of Glastonbury, LLC is a Connecticut limited liability company formed by Shields Health Care Group ("Shields"), Baystate Medical Center, Inc. ("Baystate"), and Radiology and Imaging, Inc. ("R&I"), the radiology group that has an exclusive contract with Baystate. Shields will be a 50% owner and the manager of the proposed Center; R&I and Baystate will have 25% interests each. *(August 10, 2001, Limited Objection to Mandell & Blau, MDs, PC, Motion to Add a Party)*
3. Shields established the first independent MRI facility in Massachusetts more than 15 years ago. It currently operates 20 MRI systems at 13 sites in the state including 8 freestanding centers and 5 facilities operating on hospital campuses, all either accredited by the American College of Radiology ("ACR") or in the process of obtaining ACR accreditation. *(Thomas Shields, Prefiled Testimony dated August 29, 2001)*
4. According to the Applicants' data tracking billable scans from January through July 31, 2001, the five R&I physicians who would practice at the proposed Center performed a total of 6,000 MRI scans at Baystate. Dr. Wayne Gilbertie, a Connecticut-based member of R&I, additionally read approximately 480 scans at the Rockville General Hospital mobile MRI unit through June, 2001. *(Applicants' Responses to OHCA's Interrogatories dated August 29, 2001, page 4)*
5. Dr. Gilbertie offered testimony regarding the poor image quality of the low-field magnets and associated rescanning that occurs at the local freestanding facilities in the proposed primary service area ("PSA"), as well as the inconvenience and distractions associated with mobile units. *(Applicants' Prefiled Testimony, pages 4&5)*
6. The proposed Center would provide a full array of magnetic resonance imaging services utilizing a 1.5 Tesla MRI unit with the latest advancements in high-field modalities (i.e. cardiac imaging, angiography and neurological applications) combined with prompt and effective information transmittal to the referring physicians. *(July 20, 2001 CON Application, Appendix A, page 3)*
7. The Applicants' proposed PSA is comprised of 24 towns including Andover, Bolton, Colchester, Columbia, Coventry, Cromwell, East Hampton, East Windsor, Ellington,

Enfield, Glastonbury, Hebron, Lebanon, Manchester, Marlborough, Middletown, Portland, Rocky Hill, Somers, South Windsor, Stafford Springs, Tolland, Vernon, and Wethersfield. *(August 15, 2001 Interrogatories, Exhibit 2A)*

8. The Applicants did not include the towns of Hartford and East Hartford in their proposed service area. The Applicants estimate only a 2% decrease in the existing volume at Hartford Hospital (“Hartford”) and Saint Francis Hospital and Medical Center (“SFHMC”) in Hartford due to the geographic location of the hospitals outside the PSA and west of the natural boundary formed by the Connecticut River. *(August 15, 2001 Interrogatories, Exhibit 1 and Late Files received on September 21, 2001, page 7)*
9. The Applicants assert that the need for the proposed Center is grounded on the following factors:
  - a. Current capacity of existing MRI units in PSA and outmigration;
  - b. Improved access to high-field MRI services in a freestanding private office setting;
  - c. Improved accessibility for the poor and medically underserved;
  - d. Alleviation of geographic barriers of traffic congestion and hospital-associated parking problems;
  - e. Reduction in travel time and scheduling backlogs; and
  - f. Provision of extended hours of operation.*(July 20, 2001 CON Application, Appendix A)*
10. Utilizing The Camden Group consulting firm, the Applicants presented two capacity analyses: the original analysis identified 7 existing MRI units in the PSA with an average capacity per MRI unit of 2,373 scans. The revised capacity analysis of 2,224 scans per MRI unit identified 9 MRI units due to the addition of two private physician offices operating MRI units in the PSA. Based on their projected 2.2% population growth and current MRI utilization in the PSA, the Applicants projected the need for two additional MRI units in the PSA over the next five years. The capacities of the following nine MRI units were utilized in the Applicants’ revised capacity analysis and MRI need projections: *(July 20, 2001 CON Application, Appendix C, page 7 and Prefiled Testimony dated August 29, 2001, Exhibit C, pages 1&2, CON Determinations)*

**MRI Providers' and 1999 Service Area Market Share**

<b>Hospital/Provider</b>	<b>Town</b>	<b>Type of MRI Unit</b>	<b>Market Share</b>
Manchester Memorial	Manchester	1.5 Fixed	21.8%
Middlesex OP Center	Middletown	1.5 Mobile	13.5%
Jefferson X-Ray	Glastonbury	.5 Fixed	6.4%
Rockville General	Vernon	1.5 Mobile	6.1%
Johnson Memorial	Stafford	1.5 Mobile	5.8%
Johnson Memorial	Enfield	.2 Open Mobile	
Mandell & Blau/New Britain	Buckland Hills	.3 Open Fixed	9.9%
Mandell & Blau*	Glastonbury	Open Fixed	NA
Enfield Imaging, LLC*	Enfield	.5 Fixed	NA
<b>Total</b>			<b>63.5%</b>

Source: Total estimated MRI scans within PSA for the period 7/1/99 to 12/31/99 except for Middlesex 1/1/00 to 6/30/000. Percentages are rounded.

\*On September 12, 2000, OHCA determined that Mandell & Blau's proposal to acquire an open MRI unit in Glastonbury did not require a CON. On June 26, 2001, OHCA determined that Enfield Imaging, LLC's proposal to acquire a .5 Tesla MRI unit in Enfield did not require a CON.

11. The Applicants listed the following MRI providers serving the PSA and service area market share; however, they were not accounted for in the capacity analysis and need projections:

**Additional MRI Providers and 1999 Service Area Market Share**

<b>Hospital/Provider</b>	<b>Town</b>	<b>Type of MRI Unit(s)</b>	<b>Market Share</b>
Hartford	Hartford	(2) 1.5 Fixed/1.5 Mobile	16.8%
Saint Francis	Hartford	1.5 Fixed/1.5 Mobile	10.3%
New Britain General	New Britain	1.5 Fixed/Mobile	6.2%
William W. Backus	Norwich	Mobile	2.1%
Middlesex	Shoreline	1.5 Mobile	.9%
L&M	New London	1.5 Fixed	.3%
<b>TOTAL</b>			<b>36.6%</b>

*(July 20, 2001 CON Application, Appendix C, pages 5&8)*

12. The Applicants projected the number of MRI scans at the proposed Center from 2002-2005, based on a 30% outmigration rate and projected 80% capture rate. The following number of MRI scans results in a 16% market share for the Applicants in 2002, increasing to 25% by 2005: *(July 20, 2001 CON Application, Appendix C, page 10)*

**Applicants' MRI Volume Projections**

	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
Estimated MRI scans	<b>3,057</b>	<b>4,834</b>	<b>4,899</b>	<b>4,964</b>

13. The Applicants provided documentation of reported backlogs at existing MRI providers of one to two weeks for MRI services. *(July 20, 2001 CON Application, Appendix A, page 4)*
14. Carmel Shields testified on behalf of the Applicants that wait times at existing MRI facilities in the proposed PSA have been documented on a weekly basis since March 30, 2001. One of the MRI facilities in July stated that the next available appointment was not until September. *(September 6, 2001, Public Hearing testimony of Carmel Shields)*
15. The outpatient MRI utilization for Hartford, Jefferson X-Ray, SFHMC, Manchester Memorial Hospital (“MMH”), Rockville General Hospital (“RGH”), Middlesex Hospital, and Mandell& Blau, M.D.s. in the Applicants’ service area towns for Fiscal Year (“FY”) 2000 and annualized FY 2001 is as follows: *(Late Files dated September 13th and 14th from the above providers excluding Middlesex received on August 27, 2001 from Harry Evert, Vice President, Administration)*

### Outpatient MRI Utilization and Scan Capacity

Hospital	FY 2000	Annualized FY 2001	Applicants Reported Scan Capacity	Additional Capacity
Hartford	2,765 <sup>a</sup>	2,884 <sup>a</sup>	-	-
Jefferson X-Ray	-	1,140 <sup>b</sup>	1,700	560
Saint Francis	2,296 <sup>a, c</sup>	2,659 <sup>a, c</sup>	-	-
Manchester	3,131 <sup>a, d</sup>	2,959 <sup>a, d</sup>	4,143	1,184
Rockville	886 <sup>a, e</sup>	1,110 <sup>a, e</sup>	2,125	1,015
Middlesex OP Center	2,204	2,716	3,001	285
Middlesex Shoreline	252	249	-	-
Mandell & Blau – Buckland	1,569 <sup>f, g</sup>	1,976 <sup>f, g</sup>	2,762	786
Mandell & Blau - Glastonbury	-	1,071 <sup>g, h</sup>	3,750 <sup>h</sup>	2,679
<b>TOTAL</b>	<b>13,130</b>	<b>16,794</b>	<b>17,481</b>	<b>6,509</b>

- a Values do not include MRI scans performed on hospital inpatients.
- b FY 2001 Values annualized based on reported values 5/30/2000-9/7/2001. Site not in operation until 5/30/2000.
- c Values based on percentage of clients located within the Applicant’s PSA: 28.9% of SFHMC’s total MRI volume.
- d Values based on percentage of clients located in Vernon, Manchester, and Glastonbury: 87% of MMH’s total MRI volume.
- e Values based on percentage of clients located in Vernon, Manchester, and East Windsor: 82% of RGH’s total MRI volume.
- f Values reported based on ratios of clients served in each year applied to Number of Scans for the Buckland location only. No ratio was applied to the Glastonbury values.
- g Based on Calendar Year, not Federal Fiscal Year.
- h Capacity based on Dr. Jeffrey Blau’s Prefiled Testimony.

16. The total annualized FY 2001 volume for the existing MRI providers who provide services to residents in the Applicant’s PSA is 16,794 outpatient MRI scans. In FY 2001, Hartford and SFHMC performed 5,543 of the total 16,794 outpatient MRI scans on residents in the Applicants’ PSA. *(Late Files dated September 13th and 14th from the above providers excluding Middlesex received on August 27, 2001 from Harry Evert, Vice*

*President, Administration)*

17. The estimated MRI capacity for the existing providers in the Applicants' PSA is 17,481 outpatient MRI scans. Currently, an additional 6,509 outpatient MRI scans could be performed in the Applicants' PSA, excluding Hartford, SFHMC and Middlesex's Shoreline Clinic. *(Late Files dated September 13th and 14th from the above providers excluding Middlesex received on August 27, 2001 from Harry Evert, Vice President, Administration)*
18. The distance and driving time from the Applicants' proposed site in Glastonbury to existing MRI hospital-based providers are as follows:

<b>Hospital</b>	<b>Distance</b>	<b>Driving Time</b>
Hartford/Saint Francis	7.4	11
Manchester Memorial	13.6	20
Middlesex	15.5	23
New Britain General	18	25
Rockville General	16.4	25

Source: Mapquest

19. The Applicants selected the site of the proposed Center primarily based on R&I owning the office space in the Hebron Avenue medical office building. The distance between Glastonbury and various towns in the PSA is approximate to the distance between the same towns and other MRI providers. Travel outside of major urban areas and parking at a non-hospital setting is generally more convenient for patients who travel by car. *(Applicants' Responses to OHCA's Interrogatories dated August 29, 2001, page 5)*
20. There is currently no freestanding imaging center with a high field MRI unit in a non-hospital setting in the service area. *(July 20, 2001 CON Application, Appendix A, page 4)*
21. The proposed Center like other Shield's MRI Centers would be accredited by the ACR and the radiologists practicing in the Center would adopt and conform to the ACR practice standards. *(July 20, 2001 CON Application, Appendix A, page 8)*
22. The MRI capacity of the proposed Center is 5,000-6,000 scans annually, which is based on operating the proposed Center 12 hours a day, Monday through Friday and 10 hours on Saturday. Sunday and extended weekday hours would be added as needed. *(July 20, 2001 CON Application, Appendix C, page 7)*
23. The projected payer mix for the proposed Center is as follows: *(July 20, 2001 CON Application, page 8)*

<b>Payer</b>	<b>Amount</b>
Commercial Insurers	58%
Medicare/Medicaid	23%
Self-Pay	17%
Uncompensated Care	2%
Total Payer Mix	100%

24. The Shields' network has an established policy to accept all medically indicated patients regardless of the ability to pay. This commitment would be continued in Glastonbury. (*July 20, 2001 CON Application, Appendix A, page 7*)
25. Dr. Jeffrey Blau, President of Mandell & Blau, M.D.s., P.C., testified to the following:
- Since initiating operations of its open MRI in Glastonbury on June 11, 2001, it has yet to reach full capacity and is currently able to schedule appointments within one day of a referral. (*Application for Party or Intervenor Status dated July 3, 2001, pages 2&3*)
  - The Glastonbury office can perform approximately 15 scans per day. Currently, the average is 9 scans/day. (*Dr. Jeffrey Blau, Prefiled Testimony dated August 31, 2001*)
  - The Applicant's MRI unit would result in a 25% decrease in scans performed at Buckland Hills and a 35% decrease in scans performed in Glastonbury. (*Late File received September 14, 2001*)
26. On August 3, 2001, under Docket Number 01-1506, OHCA approved a CON waiver for MMH to replace its existing 1.5 Tesla MRI unit with a GE 1.5 Tesla Echospeed Plus MRI machine. The replacement machine is the same state of the art machine as that proposed by the Applicants. (*CON Decision and Prefiled Testimony, Edward Moore, COO, ECHN, dated August 30, 2001*)
27. Eastern Connecticut Health Network, Inc. ("ECHN"), on behalf of its affiliated hospitals, MMH and RGH, testified to the following:
- MMH's MRI service is currently exceeding budgeted volume for FY 2001 and is operating below capacity.
  - RGH's MRI service is currently exceeding budgeted volume for FY 2001,
  - MMH's payor mix was 2.7% uncompensated care and 42% government in FY 2000.
  - RGH's payor mix was 2.1% uncompensated care and 40.5% government in FY 2000.
  - ECHN assumes that 50% of the Applicants' projected scans would come directly from MMH. ECHN would therefore lose 1530, 2417, 2640, and 2869 MRI scans which results in a net loss to ECHN of \$425,493, \$672,168, \$734,184, and \$797,879 in FYs 2002, 2003, 2004 and 2005 respectively. (*ECHN Petition dated August 16, 2001, Prefiled Testimony, Edward Moore, COO dated August 30, 2001, and Late Files dated September 13, 2001*)
28. Edward Moore, Chief Operating Officer of ECHN, testified as follows:
- ECHN has plenty of capacity and if need be ECHN can increase the service of the mobile MRI unit at Rockville General Hospital by one day and increase the hours of operation of the fixed MRI unit at MMH, which currently closes at 7 p.m. during the week.



- Furthermore, contrary to the Applicants assertion of the wait times at ECHN of over a week, the actual wait time for an elective MRI exam is only 3-4 days and emergency exams are performed on as needed basis.
- The reason MMH is replacing its MRI unit at Manchester is that, it has had a contract with Insight Health Services, Inc. (“Insight”) to provide the MRI equipment for the past seven years and the contract was up for renewal this summer.
- ECHN has been in negotiations with Insight and a new MRI unit is being installed this month.

*(September 6, 2001, Public Hearing testimony of Edward Moore, COO, ECHN)*

29. SFHMC testified to the following:

- The fixed hospital site 1.5 Tesla magnet operates 24 hours a day, 7 days a week with a wait time of 2 days and emergent scans are accommodated within 24 hours.
- The mobile 1.5 Tesla magnet operates three days a week for 14 hours at 95 Woodland Street in Hartford, one day a week for 17 hours at 500 Blue Hills Avenue (Mount Sinai) in Hartford, one day a week for 14 hours at SFHMC’s Enfield Access Center and two days a week for 14 hours at SFHMC’s Avon Access Center. The second day of operation of the Enfield Access Center is scheduled to commence on September 1, 2001. The wait time at the Enfield Access Center is 1 day while the other mobile MRI sites have no wait lists.
- SFHMC’s payor mix was 1.4% uncompensated care and 32.8% government in FY 2000.
- SFHMC estimates a reduction of 1,144 total MRI scans which results in an annual loss of \$747,415 in revenue for SFHMC’s mobile sites at Enfield, Mount Sinai and 95 Woodland Street if the Applicants’ project is approved.

*(SFHMC’s Application for Intervenor Status dated August 24, 2001 and Prefile Testimony of Robert C. Hartley dated August 29, 2001 and Late Files received September 13, 2001)*

30. On April 9, 2001, OHCA authorized SFHMC to change the Mobile MRI service from one day to two days at both the Enfield and Avon Access Centers by reallocating the days at the off campus sites. *(SFHMC’s Application for Intervenor Status dated August 24, 2001)*

31. Hartford and Jefferson X-Ray Group, P.C. testified to the following:

- Hartford, in conjunction with Jefferson X-Ray, operate two 1.5 Tesla MRI units provide service 24 hours a day, 5 days a week and 16 hours a day on the weekends with on call service weekend nights. There is no wait list at Hartford for evening, night or weekend MRI services. During the weekdays, a wait list of 3-9 days exists due to normal non-emergent scheduling arrangements.
- Hartford, in conjunction with Jefferson X-Ray, operate a 1.5 Tesla Mobile MRI unit in Wethersfield and Avon one day a week per site with no wait list and additional days could be scheduled if volume warrants at both sites.
- Jefferson X-ray also provides .5 Tesla MRI services in West Hartford and Glastonbury.
- Hartford estimates a loss of 50 outpatient MRI exams per week or 2,600 MRI exams annually which results in a loss of \$1,890,200 in revenue if the Applicants’ CON is approved.
- Jefferson X-Ray assumes that all 1,972 MRI scans, which are essentially from Glastonbury and the immediate surrounding towns, may be potentially lost resulting in a loss of \$1,183,200 in revenue if the Applicants’ CON is approved.

*(Late Files dated September 13, 2001)*

32. On August 21, 2001, under Docket Number 01-1004, Jefferson X-Ray submitted a Letter of Intent for the acquisition of a 1.5 Tesla MRI unit in Glastonbury. (*CON Application forms dated August 28, 2001*)
33. Dr. Stuart Markowitz, Chairman of the Hartford Hospital Department of Radiology and Vice President of Jefferson X-Ray Group, P.C., testified to the following:
- Jefferson X-Ray will be upgrading its existing 0.5 Tesla MRI unit in Glastonbury to a 1.5 Tesla MRI to serve its existing population.
  - The Jefferson X-Ray 1.5 Tesla upgrade has been in the plans for the last two years.
  - The Applicants have no relationship with any of the local institutions.
  - Local radiologists submitted letters supporting the Jefferson X-Ray Group.
- (*September 6, 2001, Public Hearing testimony of Dr. Stuart Markowitz*)

**Financial Feasibility of the Proposal and its Impact on the Applicants' Rates and Financial Condition**  
**Impact of the Proposal on the Interests of Consumers of Health Care Services and Payers for Such Services**

34. The proposed Center has a total capital cost of \$3,105,000 as follows: (*July 20, 2001 CON Application, page 6*)

Description	Cost
Fixed Equipment (Purchase)	\$2,000,000
Moveable Equipment (Purchase)	\$250,000
Building (Lease FMV)	\$105,000
Construction/Renovation	\$750,000
<b>Total Capital Expenditure</b>	<b>\$3,105,000</b>

35. For informational purposes only, the proposed Center has capitalized financing costs of \$235,321 in interest expenses. (*July 20, 2001 CON Application, page 6*)
36. The proposed Center will be financed as follows:
- \$500,00 capital contribution from owners,
  - \$1,850,000 conventional financing for equipment, and
  - \$750,000 bank financing for renovations.
- (*July 20, 2001 CON Application, pages 7&8*)
37. The proposed Center would be housed in a 5,000 square foot medical office building located at 300 Hebron Avenue in Glastonbury, which is currently owned by R&I. (*Letter of Intent, Project Description and Appendix A, page 9*)
38. The Applicants are proposing a loss from operations of \$123,116 in the first year of operation due to start up costs, and gains from operations of \$435,947 and \$497,707 in the second and third years of operation. (*July 20, 2001 CON Application, Appendix K*)

39. If volume projections are achieved, the Applicants' rates are sufficient to cover the total capital cost and projected operating costs. *(July 20, 2001 CON Application, Appendix K)*

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

The following findings are made pursuant to principles and guidelines set forth in Section 19a-637, C.G.S.:

40. There is no State Health Plan in existence at this time. *(July 20, 2001 CON Application, page 3)*
41. The Applicants have adduced evidence that this proposal is consistent with the Applicants' long-range plan. *(July 20, 2001 CON Application, page 3)*
42. The Applicants' teaching and research responsibilities will not be affected by this proposal. *(July 20, 2001 CON Application, page 5)*
43. The distinguishing characteristic of the patient/physician mix of the proposed Center is the patients will have access to a large network of radiologists. *(July 20, 2001 CON Application, Appendix A, page 8)*
44. The Applicants have sufficient technical, financial and managerial competence to provide efficient and adequate service to the public. *(July 20, 2001 CON Application, Appendix H)*

## **Rationale**

Shields Health Care Group ("Shields"), Baystate Medical Center, Inc. ("Baystate"), and Radiology and Imaging, Inc. ("R&I") d/b/a Shields MRI of Glastonbury, LLC, together referred to as "Applicants", propose to establish a Freestanding MRI Center in a medical office building currently owned by R&I and located at 300 Hebron Avenue in Glastonbury. The proposed Center would provide a full array of magnetic resonance imaging services utilizing a 1.5 Tesla MRI unit with the latest advancements in high-field modalities (i.e. cardiac imaging, angiography and neurological applications) combined with prompt and effective information transmittal to the referring physicians. The Applicants assert that the need for the proposed Center is grounded on the following factors: the current capacity of existing MRI units in PSA and outmigration, improved access to high-field MRI services in a freestanding private office setting, improved accessibility for the poor and medically underserved, alleviation of geographic barriers of traffic congestion and hospital-associated parking problems, reduction in travel time and scheduling backlogs, and the provision of extended hours of operation for MRI services.

However, OHCA believes the needs assessment presented by the Applicants is flawed. The Applicants' proposed PSA is comprised of 24 towns in the Greater Hartford area. Hartford and East Hartford were excluded from the proposed PSA. Hartford Hospital ("Hartford") and Saint Francis Hospital and Medical Center ("SFHMC"), major providers of MRI services, were excluded from the PSA. This is a serious omission because Hartford currently operates, in conjunction with Jefferson X-Ray, two 1.5 Tesla MRI units and a mobile 1.5 Tesla MRI system. SFHMC operates a hospital-based 1.5 Tesla fixed MRI unit and a 1.5 mobile unit at the Mount Sinai campus in Hartford and at the Enfield and Avon Access Centers. The Applicants estimate only a 2% decrease in the existing volume of the Hartford area hospitals due to the geographic location of the hospitals outside the PSA and west of the natural boundary formed by the Connecticut River. Hartford is 7.4 miles and 11 minutes from Glastonbury. Hartford currently performs 16.8% of its scans within the PSA, and SFHMC performs 10.3% of its scans within the PSA. The majority of the towns in the Applicants' PSA are considered to be within the PSA of Hartford and SFHMC. Hartford reported performing 2,765 and 2,884 outpatient MRI scans on residents of the Applicants' PSA towns in FY 2000 and annualized FY 2001, respectively. SFHMC reported performing 2,296 and 2,659 outpatient MRI scans on residents of the Applicants' PSA towns in FY 2000 and annualized FY 2001, respectively. The Applicants selected the site of the proposed Center primarily based on R&I owning the office space in the Hebron Avenue medical office building. The Applicants stated that the distance between Glastonbury and various towns in the PSA is approximate to the distance between the same towns and other MRI providers. The Applicants also stated that travel outside of major urban areas and parking at a non-hospital setting is generally more convenient for patients who travel by car. It appears the Applicants manipulated the definition of the PSA by omitting Hartford and its providers. These are major providers of MRI services in Hartford who currently serve the residents of the proposed PSA and are in close proximity to the proposed Center.

There are currently 10 existing hospital MRI providers, including Hartford and SFHMC and three private physician offices providing MRI services to residents of the PSA. These MRI providers who currently serve the residents in the PSA collectively operate 7 high-field (1.5 Tesla) MRI units, 6 high-field mobile MRI units, and 5 low-field MRI units, which includes one unit currently not in operation. In 1999, according to the Applicants' analysis, the MRI market share in the Applicants' PSA for Manchester Memorial Hospital ("MMH") in Manchester and Rockville General Hospital ("RGH") in Vernon was 21.8% and 6.1%, respectively, for a total ECHN market share of 28%. The distance and driving time from MMH and RGH to the Applicants' proposed MRI site in Glastonbury are 13.6 miles or 20 minutes and 16.4 miles or 25 minutes, respectively. MMH reported performing 3,131 and 2,959 outpatient MRI scans on residents of the Applicants' PSA towns in FY 2000 and annualized 2001, respectively. The Applicants reported a MRI scan capacity of 4,143 for MMH. RGH reported performing 886 and 1,110 outpatient MRI scans on residents of the Applicants' PSA towns in FY 2000 and annualized FY 2001, respectively. The Applicants' analysis reported a 13.5% MRI market share for Middlesex Hospital's Outpatient Center in Middletown. Middlesex's Outpatient Center is 15.5 miles or 23 minutes for the Applicants' proposed MRI site in

Glastonbury. Middlesex's Outpatient Center reported performing 2,204 and 2,716 outpatient MRI scans on residents of the Applicants' PSA towns in FY 2000 and annualized 2001 respectively. The Applicants reported a MRI scan capacity of 3,001 for Middlesex. OHCA questions the validity of the Applicants' volume projections due to the exclusion of existing MRI providers in the area and their current capacity in the proposed PSA.

According to the OHCA's analysis, the total number of outpatient MRI scans performed by existing providers who currently serve the residents of the Applicant's PSA is 16,794 in annualized FY 2001. In FY 2001, Hartford and SFHMC performed 5,543 of the total 16,794 outpatient MRI scans on residents in the Applicants' PSA. The estimated MRI capacity of the existing providers in the Applicants' PSA is 17,481 outpatient MRI scans. Currently, an additional 6,509 outpatient MRI scans could be performed in the Applicants' PSA, excluding the volume at Hartford, SFHMC and Middlesex's Shoreline Clinic. OHCA concludes that there is currently sufficient MRI capacity within the Applicants' PSA.

Additionally, MMH received a waiver for the replacement of its existing 1.5 Tesla MRI unit with the same state of the art machine as that proposed by the Applicants. MMH is replacing its MRI unit due to the renewal of the equipment contract with Insight. ECHN has been in negotiations with Insight and a new MRI unit is being installed this month. Jefferson X-Ray recently submitted a Letter of Intent for the acquisition of a 1.5 Tesla MRI unit in Glastonbury. Dr. Markowitz testified that the difference between the Applicants establishing a new 1.5 Tesla MRI service in Glastonbury and Jefferson X-Ray upgrading their existing 0.5 Tesla MRI is that Jefferson X-Ray has an existing population and the 1.5 Tesla magnet has been part of the plan to upgrade for the last two years. Based on reported volumes since May 30, 2000, Jefferson-X-Ray's Glastonbury office will perform 1,140 annualized MRI scans in FY 2001. The Applicants reported a MRI scan capacity of 1,700 for Jefferson X-Ray. Dr. Markowitz further testified that the Applicants currently have no relationship with any of the existing institutions in the area. Jefferson X-Ray has a relationship with Hartford and local radiologists.

Utilizing The Camden Group consulting firm, the Applicants presented two capacity analyses: the original analysis identified 7 existing MRI units in the PSA with an average capacity per MRI unit of 2,373 scans. The hospital MRI providers identified were MMH, Middlesex Hospital's Outpatient Center, Johnson Memorial Hospital, and RGH. The private physician offices providing MRI services originally identified were Jefferson X-Ray, P.C. in Glastonbury and Mandell & Blau, M.D.s., P.C. in New Britain at Buckland Hills. OHCA recently did not require CON approval for two additional low-field fixed MRI units in Glastonbury and Enfield. Mandell & Blau commenced operation of an open fixed MRI unit in Glastonbury on June 2001, which has an estimated capacity of 3,750 scans. The Applicants' revised capacity analysis of 2,224 scans per MRI unit included the two additional low-field fixed MRI units recently approved. Based on their projected 2.2% population growth and current MRI utilization, the Applicants projected the need for two additional MRI units in the PSA over the next five years. The Applicants projected 3,057, 4,834, 4,899, and 4,964 MRI scans at the proposed Center in

years 2002, 2003, 2004, and 2005, respectively, based on a 30% outmigration rate and projected 80% capture rate. These projections result in an overly optimistic market share of 16% in 2002, increasing to 25% by 2005, at the Applicants' proposed Center in Glastonbury. The Applicants identified six hospital MRI providers including Hartford, SFHMC, New Britain General Hospital, The William W. Backus Hospital in Norwich, Lawrence and Memorial Hospital in New London and Middlesex Hospital as serving the PSA. However, the Applicants did not include these six hospital MRI providers in their capacity analysis or need projections. These six MRI hospital providers total a 36.6% market share in the Applicants' PSA. OHCA concludes that the Applicants' service area and nearby communities are well served with respect to MRI services.

The Applicants provided documentation of reported backlogs at all existing MRI providers of one to two weeks for MRI services. Carmel Shields testified on behalf of the Applicants that wait times at existing MRI facilities in the proposed PSA have been documented on a weekly basis since March 30, 2001. One of the MRI facilities in July stated that the next available appointment was not until September. Dr. Jeffrey Blau testified that his Glastonbury office is currently able to schedule appointments within one day of a referral. ECHN testified that the actual wait time for an elective MRI exam is only 3-4 days and emergency exams are performed on as needed basis. SFHMC testified that the fixed hospital site 1.5 Tesla magnet operates 24 hours a day, 7 days a week with a wait time of 2 days and emergent scans are accommodated within 24 hours. The wait time at the Enfield Access Center is 1 day while the other mobile MRI sites have no wait lists. There is no wait list at Hartford for evening, night or weekend MRI services. During the weekdays, a wait list of 3-9 days exists due to normal non-emergent scheduling arrangements. Hartford also operates a 1.5 Tesla Mobile MRI unit in Wethersfield and Avon one day a week per site with no wait list and additional days could be scheduled if volume warrants at both sites. The accessibility and availability of high-field MRI services is not the issue.

The MRI capacity of the proposed Center is 5,000-6,000 scans annually, which is based on operating the proposed Center 12 hours a day, Monday through Friday and 10 hours on Saturday. Sunday and extended weekday hours would be added as needed. Dr. Jeffrey Blau testified that since initiating operations of its open MRI in Glastonbury on June 11, 2001, it has yet to reach full capacity. The Glastonbury office can perform approximately 15 scans per day. Currently, the average is 9 scans/day. ECHN testified that MMH's MRI service is currently exceeding budgeted volume for FY 2001 and is operating below capacity. ECHN also testified that RGH's MRI service is currently exceeding budgeted volume for FY 2001. ECHN has plenty of capacity and if need be ECHN can increase the service of the mobile MRI unit at RGH by one day and increase the hours of operation of the fixed MRI unit at MMH, which currently closes at 7 p.m. during the week. SFHMC's mobile 1.5 Tesla magnet operates three days a week for 14 hours at 95 Woodland Street in Hartford, one day a week for 17 hours at 500 Blue Hills Avenue in Hartford, one day a week for 14 hours at SFHMC's Enfield Access Center and two days a week for 14 hours at SFHMC's Avon Access Center. The second day of operation of the Enfield Access Center is scheduled to commence on September 1, 2001. Hartford testified that the two 1.5 Tesla MRI units provide service 24 hours a day, 5 days

a week and 16 hours a day on the weekends with on call service weekend nights. OHCA questions the need for an additional high-field MRI unit in a service area where existing MRI providers are operating below capacity.

It appears that the only way the Applicants might meet their volume projections is to attract patients from existing MRI providers. Dr. Jeffrey Blau testified that the Applicant's MRI unit would result in a 25% decrease in scans performed at Buckland Hills and a 35% decrease in scans performed in Glastonbury. ECHN assumes that 50% of the Applicants' projected scans would come directly from MMH. ECHN would therefore lose 1530, 2417, 2640, and 2869 MRI scans which results in a net loss to ECHN of \$425,493, \$672,168, \$734,184, and \$797,879 in FYs 2002, 2003, 2004 and 2005 respectively. Hartford estimates a loss of 50 outpatient MRI exams per week or 2,600 MRI exams annually which results in a loss of \$1,890,200 in revenue if the Applicants' CON is approved. Jefferson X-Ray assumes that all 1,972 MRI scans, which are essentially from Glastonbury and the immediate surrounding towns, may be potentially lost resulting in a loss of \$1,183,200 in revenue if the Applicants' CON is approved. SFHMC estimates a reduction of 1,144 total MRI scans which results in an annual loss of \$747,415 in revenue for SFHMC's mobile sites at Enfield, Mount Sinai and 95 Woodland Street if the Applicants' project is approved. Even though OHCA questions the validity of the above projected financial losses at existing providers, OHCA concludes that the Applicants' proposal does represent a significant volume shift from existing MRI providers, not the ability to capture outmigration.

Furthermore, the Applicants state that the proposed Center will improve accessibility to the poor and medically underserved populations. The established Shields' network policy is to accept all medically indicated patients regardless of the ability to pay. This commitment would be continued in Glastonbury. The Applicants' projected payor mix is 58% commercial insurers, 23% government, 17% self pay, and 2% uncompensated care. MMH's payor mix was 2.7% uncompensated care and 42% government in FY 2000. RGH's payor mix was 2.1% uncompensated care and 40.5% government in FY 2000. SFHMC's payor mix was 1.4% uncompensated care and 32.8% government in FY 2000. The Applicants would be providing MRI services to a lower proportion of government payers. Therefore, the Applicants would not be serving patients with lower incomes or the uninsured.

As OHCA continues to strive to balance questions of need, cost, quality and access, OHCA finds that location is a primary deterrent for these Applicants. Given the Applicants' close proximity to established high-field and low-field MRI providers, which are capable of expanding hours and volumes, the proposed Center is not needed in Glastonbury. In another setting, not in such close proximity to so many MRI providers, accessibility of MRI services may be an issue. Even though the Applicants are experienced and quality MRI providers in the State of Massachusetts, the location of the proposed Center is too close to too many other MRI providers to justify an additional MRI unit high-field or low-field in the area. OHCA commends the Applicants for proposing to purchase a high quality MRI unit with the latest advancements in high-field modalities instead of a lower quality unit, easily acquired on the market for a very low

cost. The existing MRI providers have the capacity to perform more scans, offer high quality of care and do so at acceptable costs. The Applicants have failed to provide a rationale, which results in a significant positive impact on improving access, quality or cost of care.

Finally, since the need for the proposed Center is questionable, the financial viability of the proposal remains in question. The proposed Center has a total capital cost of \$3,105,000 for equipment and renovations. The proposed Center will be financed through capital contribution from owners, conventional financing and bank financing. The Applicants are proposing a loss from operations of \$123,116 in the first year of operation due to start up costs, and gains from operations of \$435,947 and \$497,707 in the second and third years of operation. The financial feasibility of the proposed Center rests on projected volumes of MRI scans that are inflated due to the exclusion of various hospital-based MRI providers. Therefore, projected losses may continue due to the close proximity of existing MRI providers. The Applicants' proposed Center is an issue of convenience rather than need. The CON proposal represents an additional cost to the overall health care system, which would adversely impact the interests of consumers and payers of MRI services.

Based on the foregoing Findings and Rationale, the Certificate of Need Application of Shields MRI of Glastonbury, LLC to establish a Freestanding MRI Center in Glastonbury, Connecticut at a capital expenditure of \$3,000,000, plus \$105,000 for the estimated fair market value of leased space, for a total capital cost of \$3,105,000, which does not include any capitalized financing costs, is hereby DENIED.



## Order

The proposal of Shields MRI of Glastonbury, LLC (“Applicants”) to establish a Freestanding MRI Center in Glastonbury, Connecticut at a capital expenditure of \$3,000,000, plus \$105,000 for the estimated fair market value of leased space, for a total capital cost of \$3,105,000, which does not include any capitalized financing costs is hereby denied.

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

\_\_\_\_\_  
Date

\_\_\_\_\_  
Raymond J. Gorman  
Commissioner

RJG:km  
Decision/011000