



## Office of Health Care Access

### Final Decision

**Applicants:** Alliance Imaging, Inc. and Radiologic Associates of Middletown, P.C. d/b/a Guilford Radiology

**Docket Number:** 01-1002

**Project Title:** Establish Magnetic Resonance Imaging Services at Guilford Radiology

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

**Filing Date:** October 9, 2001

**Hearing Date:** November 27, 2001

**Presiding Officer:** Raymond J. Gorman, Commissioner

**Decision Date:** December 6, 2001

**Default Date:** January 7, 2002

**Staff:** Harold M. Oberg

**Project Description:** Alliance Imaging, Inc. (“Alliance”) and Radiologic Associates of Middletown, P.C. d/b/a Guilford Radiology (“Guilford Radiology”) propose the establishment of Magnetic Resonance Imaging (“MRI”) services at Guilford Radiology located at 1591 Boston Post Road in Guilford, Connecticut, at a total capital expenditure of \$1,907,618.

**Nature of Proceedings:** On October 9, 2001, the Office of Health Care Access (“OHCA”) received the Certificate of Need (“CON”) application of Alliance Imaging, Inc. and Radiologic Associates of Middletown, P.C. d/b/a Guilford Radiology (collectively known as “the Applicants”) for the establishment of MRI services at Guilford Radiology, at a total capital expenditure of \$1,907,618. Guilford Radiology is a health care facility or institution as defined by Section 19a-630 of the Connecticut General Statutes (“C.G.S.”).

A public hearing was held on November 27, 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 *New Haven Register* and the *Northeast Minority News, Inc.* Commissioner Raymond J. Gorman served as presiding officer for this case. The public 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.

The Presiding Officer heard testimony from a witness for Guilford Radiology and in rendering this decision, considered the entire record of the proceeding. 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 considered by OHCA in its review.

## **Findings of Fact**

### **Clear Public Need**

#### **Impact of the Proposal on the Applicants' 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. Radiologic Associates of Middletown, P.C. is a for-profit radiology group that provides radiology services for Middlesex Hospital and its outpatient facilities. The Radiologic Associates of Middletown, P.C.'s physicians have admitting privileges at Middlesex Hospital and also have two private offices located in Guilford and West Haven. (*October 9, 2001 CON application, pages 11 and 23*)
2. Radiologic Associates of Middletown, P.C. d/b/a Guilford Radiology provides radiology services at 1591 Boston Post Road in Guilford. Guilford Radiology proposes to establish mobile high-field MRI services at this location. The new MRI services will augment X-ray, Ultrasound, Mammography, Computed Tomography and Fluoroscopy services currently provided by Guilford Radiology. (*October 9, 2001 CON application, pages 7 and 23*)
3. Guilford Radiology has served the shoreline community for 18 years and in FY 2000 performed approximately 15,200 total radiological exams. The addition of MRI services to Guilford Radiology's existing complement of services would increase its total exams to 17,280. (*October 9, 2001 CON application, page 10 and October 18, 2001 Revised Information, page 257*)
4. The service area for the proposed MRI services includes: Guilford, Branford, Madison, North Branford, Clinton, Killingworth and Westbrook. (*October 9, 2001 CON application, page 20*)
5. Guilford Radiology projects a breakdown of the service area population associated with the CON proposal as follows: (*October 9, 2001 CON application, page 20*)

<b>Service Area Town</b>	<b>Population</b>
Guilford	20,369
Branford	26,981
Madison	16,340
North Branford	14,030
Clinton	13,202
Killingworth	5,544
Westbrook	6,000
<b>Total Population</b>	<b>102,466</b>

6. Guilford Radiology indicated that nationally the average MRI utilization rate for the year 2000 was 51 exams per 1,000 population. Within the Medicare community, which represents 12.8% of the total population, the national average MRI utilization rate was 68 exams per 1,000 population for 1999, the last year for which data is available. *(October 9, 2001 CON application, page 20 and Exhibit B, page 29)*
7. Applying an MRI utilization rate for 2000 of 51 exams per 1,000 population to Guilford Radiology's service area population of 102,466 would result in a projected need of 5,226 MRI exams per year. *(October 9, 2001 CON application, page 20)*
8. MRI utilization data at Middlesex Hospital for 2000 compiled by Anthem Blue Cross indicated an MRI utilization rate of 40.1 exams per 1,000 population. However, this MRI utilization rate did not include the Medicare population, which utilizes MRI services at a considerably higher rate. Given Anthem Blue Cross statistics, Guilford Radiology estimates that 4,109 MRI exams would have been performed, and given that the Medicare population in Connecticut approximates the national average, 4,509 total MRI exams would have been the projected need for 2000. *(October 9, 2001 CON application, pages 20 and 21 and Exhibit J, page 64)*
9. The Applicants observed that Finding of Fact #12 of OHCA's Final Decision granting CON authorization to Yale-New Haven Ambulatory Services Corporation d/b/a Temple Radiology under Docket Number 00-547 contained a projected need of 4,687 total MRI exams for 2000 in a service area essentially the same as that of Guilford Radiology. *(October 9, 2001 CON application, page 21 and Exhibit D, Page 34)*
10. Guilford Radiology averaged the three separate MRI exam need projections in the Guilford service area of 5,226 MRI exams, 4,509 MRI exams and 4,687 MRI exams for 2000, which resulted in a projected need in this service area for 2000 of 4,807 MRI exams. *(October 9, 2001 CON application, page 21)*
11. The projection of need in 2002 by Guilford Radiology also includes an estimated growth in MRI exams in both 2001 and 2002 of 10% for each year based upon national growth trends in MRI utilization over the past five years. *(October 9, 2001 CON application, page 21)*

12. In addition, Guilford Radiology's projection of need in 2002 also includes MRI exams exclusively requiring a high field 1.5 tesla MRI unit to perform, of which Magnetic Resonance Angiography ("MRA") exams are the foremost. MRA is in the process of revolutionizing the imaging of blood vessels and being established as the most important evaluator of arteriosclerotic disease, whether it is found in the brain (strokes), kidney arteries (high blood pressure), aorta (aneurysm), legs (pain, ulcers), and in the near future the heart (angina, heart attack). *(October 9, 2001 CON application, page 21)*
13. Guilford Radiology estimated the need for the number of MRI exams to be performed in the Guilford service area for 2002 as follows: *(October 9, 2001 CON application, page 22)*

<b>Description</b>	<b>MRI exams</b>
Estimated Need in 2000	4,807
Estimated 10% Growth in 2001	481
Estimated 10% Growth in 2002	529
Estimated MRA Exams	308
<b>Total Projected Exams in 2002</b>	<b>6,125</b>

14. The projected utilization statistics for the first three years of operation of the Applicants' proposed MRI services are as follows: *(October 18, 2001 Revised Information, page 257)*

<b>Statistic</b>	<b>FY 2002</b>	<b>FY 2003</b>	<b>FY 2004</b>
Total MRI Exams	1,560	2,080	2,080

15. Guilford Radiology stated that its market research based on 18 years of providing services to residents in the area and referring physician input, indicates that a high field 1.5 tesla MRI imaging service would be necessary for Guilford Radiology to provide high quality medical care to the Guilford service area patient population. *(October 9, 2001 CON application, page 10)*
16. High-field MRI systems differ from low-field systems in that they have abundant signal that allows for a much faster acquisition of images thereby allowing for less patient time in MRI units. High-field state of the art MRI scanners facilitate and allow for dynamic visualization of blood vessels through the utilization of MRA. MRA is often used in lieu of invasive X-ray angiography studies. Guilford Radiology proposes to provide MRA studies of the head and neck as a part of its proposed MRI services. *(October 9, 2001 CON application, pages 9 and 12)*
17. Low and mid field MRI imagers cannot make the rapid images needed for quality diffusion imaging. In addition to MRA, high field imagers allow for diffusion and perfusion imaging of the brain, which is used to diagnose strokes early and give physicians an opportunity for early intervention to minimize the effects of stroke. *(October 9, 2001 CON application, page 9)*

18. Currently there are no high field 1.5 tesla MRI scanners in Guilford, and Guilford area residents must travel at least 20 miles to New Haven to receive high field MRI services. Providers located within a twenty-five mile radius of Guilford are Yale-New Haven Hospital and Hospital of Saint Raphael in New Haven, Middlesex Outpatient Center in Middletown and Middlesex Shoreline Clinic in Essex. *(October 9, 2001 CON application, pages 8, 9 and 25)*
19. The proposed mobile MRI unit to be operated by Alliance at Guilford Radiology, will be a high field, short bore system. This unit is shorter in length than a traditional scanner, and therefore the patient is not totally enclosed in the system during scanning. Although the system is not called an “open” MRI scanner, it gives the patient the appearance of an open MRI unit. *(October 9, 2001 CON application, page 8)*
20. The proposed high field mobile MRI unit that is included in the CON proposal is a 1.5 tesla Siemens MAGNETOM Symphony MRI system. The MRI unit was purchased from Siemens Medical Systems, Inc. by Alliance. *(October 9, 2001 CON application, pages 214-247 and page 250)*
21. Alliance will be responsible for operating the mobile MRI unit at Guilford Radiology and will provide a technologist as a part of its MRI services agreement with Radiologic Associates of Middletown, P.C. that will be implemented for the CON proposal. *(October 9, 2001 CON application, page 18 and pages 252-255)*
22. Currently there are two MRI units authorized or operating in the town of Guilford.
  - a. OHCA granted Yale-New Haven Ambulatory Services Corporation d/b/a Temple Radiology (“Yale”) CON authorization under Docket Number 00-547 on January 19, 2001 to establish a freestanding imaging center including MRI services. The approved Yale MRI unit is a mid field 0.7 tesla MRI unit, and the authorized imaging center will be located at 596 Boston Post Road in Guilford.
  - b. Madison Radiology Imaging, L.L.C. (“Madison Radiology”) began providing MRI services in Guilford in 1998 with a low field 0.2 tesla MRI unit.
23. The Applicants observed that Find of Fact #11 of OHCA’s Final Decision granting CON authorization to Yale under Docket Number 00-547 states the following:

“Both Yale-New Haven Hospital and the Applicant (Yale) are currently experiencing 2 to 3 week backlogs for MRI and for other radiology services. A MRI unit in Guilford is expected to reduce these backlogs.” *(October 9, 2001 CON application, page 34)*

24. The Applicants also observed that the Rationale of OHCA’s Final Decision under Docket Number 00-547 includes the following statement:

“It must be noted that the total number of scans performed by Madison Radiology and those projected by the Applicant (Yale) do not equal the forecasted total MRI volume for the service area. However, even with the existence of two imaging centers, there appears to be an unmet need.” *(November 18, 2001 Prefile Testimony of Dr. Erik G. Pingoud, President of Radiologic Associates of Middletown, P.C.)*

25. The Applicants noted that Yale has filed a letter of intent (Docket Number 01-557L) to acquire and operate a high field 1.5 tesla MRI unit for its authorized freestanding imaging center instead of the mid field 0.7 tesla MRI unit referenced in the CON authorization granted under Docket Number 00-547. Also, Madison Radiology has filed a letter of intent (Docket Number 01-539L) to replace its existing low field 0.2 tesla MRI unit with a high field 1.5 tesla MRI unit. *(November 18, 2001 Prefile Testimony of Dr. Erik G. Pingoud, President of Radiologic Associates of Middletown, P.C.)*

26. Alliance will provide transportation to Guilford Radiology for patients needing it. Guilford Radiology will accept walk-in patients. *(October 9, 2001 CON application, pages 10 and 13)*

27. Guilford Radiology will apply for American College of Radiology (“ACR”) accreditation. ACR practice guidelines will be implemented and utilized by Guilford Radiology in providing the proposed MRI services. *(October 9, 2001 CON application, Page 11)*

28. The Applicants’ hours of operation for the provision of the proposed MRI services will be from 8:00 a.m. to 8:00 p.m. two days per week for a total of 24 hours of operation per week. Based upon the future volume of MRI scans experienced by the Applicants, the days of providing MRI services would increase. *(October 9, 2001 CON application, Page 18)*

**Financial Feasibility and Cost Effectiveness 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**

29. The Applicants’ proposed total capital expenditure of \$1,907,618 is broken down as follows: *(October 9, 2001 CON application, page 15)*

<b>Description</b>	<b>Cost</b>
Moveable Equipment (1.5 tesla MRI unit)	\$1,874,593
Construction/Renovation Costs	33,025
<b>Total Capital Expenditures</b>	<b>\$1,907,618</b>

30. Alliance has already purchased the proposed MRI unit, which was funded by an equity contribution from Alliance's operating funds. (*October 18, 2001 Revised Information, page 16*)
31. Guilford Radiology projects the following incremental net revenue, operating expenses, and earnings from operations for the CON proposal: (*October 18, 2001 Revised Information, page 257*)

<b>Description</b>	<b>FY 2002</b>	<b>FY 2003</b>	<b>FY 2004</b>
Incremental Revenue from Operations	\$1,051,440	\$1,401,920	\$1,401,920
Incremental Operating Expenses	\$568,000	\$491,000	\$491,000
<b>Incremental Earnings from Operations</b>	<b>\$483,440</b>	<b>\$910,920</b>	<b>\$910,920</b>

32. Guilford Radiology anticipates that the average global charge for an MRI scan will be \$1,264 with contrast and \$956 without contrast. If the Applicants' volume projections are achieved, the Applicants' rates will be sufficient to cover their estimated capital and operating costs. (*October 9, 2001 CON application, page 18 and October 18, 2001 Revised Information, page 257*)
33. Guilford Radiology's projected payer mix based on net patient revenue for the CON proposal is as follows: (*October 9, 2001 CON Application, page 17*)

<b>Payer</b>	<b>Percentage</b>
Medicare	21.0%
Medicaid	0.5%
Commercial Insurers	78.0%
Self-Pay*	0.3%
Workers Compensation	0.2%
<b>Total Payer Mix</b>	<b>100.0%</b>

\* Uncompensated Care and Other Deductions are included in the Self-Pay category.

34. Guilford Radiology provides services to all patients including those with an inability to pay. Either a payment arrangement will be made with a patient or the MRI scan will be offered pro bono. (*October 9, 2001 CON application, page 17 and Attachment Six, pages 258 and 259*)

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

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

35. There is no State Health Plan in existence at this time.  
(*October 9, 2001 CON application, page 8*)

36. The Applicants have adduced evidence that this proposal is consistent with the Applicants' long-range plans. *(October 9, 2001 CON Application, page 8)*
37. The Applicants have no teaching or research responsibilities. *(October 9, 2001 CON application, page 13)*
38. There are no distinguishing or unique characteristics of the patient/physician mix relating to the Applicants' proposal. *(October 9, 2001 CON application, page 13)*
39. The Applicants have implemented various activities to improve productivity and contain costs. *(October 9, 2001 CON application, pages 13 and 142)*
40. The Applicants have sufficient technical, financial and managerial competence to provide efficient and adequate service to the public. *(October 9, 2001 CON application, pages 70-108)*

## **Rationale**

Alliance Imaging, Inc. ("Alliance") and Radiologic Associates of Middletown, P.C. d/b/a Guilford Radiology ("Guilford Radiology"), together referred to hereafter as "the Applicants", propose the establishment of Magnetic Resonance Imaging ("MRI") services at Guilford Radiology located at 1591 Boston Post Road in Guilford, Connecticut, at a total capital expenditure of \$1,907,618. With the addition of the proposed MRI services, Guilford Radiology will provide a full array of imaging services in Guilford. The primary service area for the proposed services is projected to be the towns of Guilford, Branford, Madison, North Branford, Clinton, Killingworth and Westbrook. Guilford Radiology has been serving the Guilford area for 18 years.

The Applicants projected a need for 6,125 total MRI exams in the Guilford service area for 2002. This projection was calculated by averaging MRI utilization rates or projections from three separate information sources: the national MRI utilization rate for 2000 as well as the local Anthem-Blue Cross MRI utilization rate for 2000, both of which were applied to the Guilford service area population, and Yale-New Haven Ambulatory Services Corporation d/b/a Temple Radiology's total MRI exam need projection for 2000. The Applicants also included in the projected need a growth in MRI exams in 2001 and 2002 of 10% per year and also included the need for Magnetic Resonance Angiography or MRA exams that require the use of a high field 1.5 tesla MRI unit. The Applicants projected that Guilford Radiology will perform 1,560 MRI exams in 2002, 2,080 MRI exams in 2003 and 2,080 MRI exams in 2004.

Currently there are no high field 1.5 tesla MRI units in operation in the Guilford area. Guilford area residents must travel at least 20 miles to New Haven to receive MRI services provided by a high field MRI scanner. Providers of high field MRI services located within a twenty-five mile radius of Guilford are Yale-New Haven Hospital and Hospital of Saint Raphael in New Haven, Middlesex Outpatient Center in Middletown and Middlesex Shoreline Clinic in Essex.



The mobile MRI unit is a 1.5 tesla Siemens MAGNETOM Symphony MRI system. Alliance has already purchased the mobile MRI unit, which was funded through an equity contribution from operating funds. The mobile MRI unit to be operated by Alliance at Guilford Radiology, will be a high field, short bore system. This MRI unit is shorter in length than a traditional MRI scanner, and therefore the patient is not totally enclosed in the system during scanning. Although the system is not called an "open" MRI scanner, it gives the patient the appearance of an open MRI unit. The proposed MRI unit will allow for a much faster acquisition of images thereby allowing for less patient time in the MRI unit. The proposed MRI unit provides dynamic visualization of blood vessels, in lieu of invasive x-ray angiography studies, through the utilization of MRA and other advanced MRI studies. Guilford Radiology proposes to provide MRA studies of the head and neck as a part of its proposed MRI services.

The financial feasibility and cost effectiveness of the CON proposal rests on the ability of Guilford Radiology to achieve its utilization projections. Guilford Radiology's MRI exam projections during the first three years of the provision of the proposed MRI services appear to be achievable despite the existence of two imaging centers in the Guilford service area, given the projected need in 2002 for 6,125 total MRI exams. Guilford Radiology is projecting incremental net earnings from operations during the first three years of the provision of the proposed MRI services of \$483,440, \$910,920 and \$910,920 respectively. Since this financial forecast is based on Guilford Radiology's volume projections, OHCA believes it is very likely that Guilford Radiology's projected utilization for the first three years of providing MRI services will occur and that the associated projected incremental net earnings from operations will also be achieved.

Through the utilization of a high field 1.5 tesla MRI unit with its superior imaging technological capabilities, the Applicants will improve the quality of MRI services currently available in the Guilford area. OHCA commends Guilford Radiology for not rushing into the MRI business with a lower quality MRI unit, which can be easily acquired on the market for a very low cost. Guilford Radiology has determined that in order to best serve its patients and its referring physician base, it should offer MRI services using the highest quality equipment. OHCA believes that this is an appropriate approach for Guilford Radiology to take.

OHCA finds that the Applicants have demonstrated that there is sufficient need for additional MRI services to be provided in the Guilford area. Furthermore, OHCA finds that the Applicants' proposal will not only improve both the quality and accessibility of MRI services in the Guilford area but that the Applicants' proposal will also be cost effective and financially feasible. Therefore, based on the foregoing Findings and Rationale, the Certificate of Need application of Alliance Imaging, Inc. and Radiologic Associates of Middletown, P.C. d/b/a Guilford Radiology for the establishment of Magnetic Resonance Imaging services at Guilford Radiology located at 1591 Boston Post Road in Guilford, Connecticut, at a total capital expenditure of \$1,907,618, is hereby GRANTED.

## **Order**

Alliance Imaging, Inc. and Radiologic Associates of Middletown, P.C. d/b/a Guilford Radiology are hereby authorized to establish Magnetic Resonance Imaging services at Guilford Radiology located at 1591 Boston Post Road in Guilford, Connecticut, at a total capital expenditure of \$1,907,618, subject to the following conditions:

1. This authorization shall expire on December 31, 2002, unless the Applicants present evidence to OHCA that the proposal has been implemented by that date.
2. The Applicants shall not exceed the approved total capital expenditure of \$1,907,618. In the event that the Applicants learn of potential cost increases or expect that final project costs will exceed those approved, the Applicants shall file with OHCA a request for approval of the revised CON project budget.
3. The future operating schedule between Alliance Imaging, Inc. and Radiologic Associates of Middletown, P.C. d/b/a Guilford Radiology shall be established based upon joint operating needs and shall be at their discretion.

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

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Date

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Raymond J. Gorman  
Commissioner

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