

**State of Connecticut
Office Of Health Care Access
Certificate of Need Application**

Final Decision

Applicant: Jefferson X-Ray Group, P.C.

Docket Number: 01-1004

Project Title: Replacement of an Existing MRI Unit in Glastonbury

Statutory Reference: Section 19a-639, Connecticut General Statutes

Filing Date: February 1, 2002

Hearing: Waived

Decision Date: March 7, 2002

Default Date: May 2, 2002

Staff Assigned Kim Martone
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Project Description: Jefferson X-Ray Group, P.C. (“Applicant”) proposes to replace its existing MRI Unit in Glastonbury at a total proposed capital expenditure of \$2,687,500.

Nature of Proceedings: On February 1, 2002, the Office of Health Care Access (“OHCA”) received the Applicant’s Certificate of Need (“CON”) application seeking authorization to replace its existing MRI Unit in Glastonbury at a total proposed capital expenditure of \$2,687,500. The Applicant is a health care facility or institution as defined by Section 19a-630, C.G.S.

The Applicant requested a waiver of public hearing for the CON application pursuant to Section 19a-643-45 of OHCA’s Regulations and claimed that the CON application was non-substantive as defined in Section 19a-643-95(3) of OHCA’s Regulations. A notice to the public was published on February 6, 2002, in the *Journal Inquirer* in Manchester and on February 14, 2002 in *the Northeast Minority News, Inc.* in Hartford. OHCA

received no comments during the public comment period concerning the Applicant's request for waiver of public hearing and therefore, on February 28, 2002, OHCA granted the Applicant's request for waiver of the public hearing.

OHCA's authority to review and approve, modify or deny this proposal is established by Section 19a-639, C.G.S. In reviewing this proposal, 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.

Findings of Fact

Clear Public Need

Impact on the Applicant's Current Utilization Statistics

Contribution of the Proposal to the Accessibility of Health Care Delivery in the Region

Contribution of the Proposal to the Quality of Health Care Delivery in the Region

Impact of the Proposal on the Interests of Consumers of Health Care Services and Payers for Such Services

1. Jefferson X-Ray Group, P.C. ("Applicant") is a for-profit professional corporation located in the Hartford Hospital Glastonbury Wellness Center in Glastonbury. The Wellness Center houses primary care, multi-specialty services and obstetrical and gynecological services. *(LOI, August 21, 2001 and CON Application, page 14)*
2. The Applicant currently provides imaging services at Hartford Hospital, Johnson Memorial Hospital, Johnson Surgical Center, Connecticut Children's Medical Center, and in freestanding offices in Hartford, West Hartford, Glastonbury, Wethersfield and Avon. *(CON Application, page 12)*
3. The acquisition of a mobile MRI unit by the Applicant was reviewed under CON Determination Report 00-Q. Since the total cost of the MRI equipment was under the statutory limit of \$400,000, OHCA determined that a CON was not required. *(CON Determination Report Number 00-Q)*
4. On May 20, 2000, the Applicant initiated MRI service in Glastonbury using a pre-owned .5 Tesla GE Advantage RP Single Cryogen Mobile MRI unit. *(CON Application, page 12)*
5. In August 2001, the Applicant relocated its Glastonbury MRI unit from 131 New London Turnpike to 704 Hebron Avenue in Glastonbury. *(CON Application, page 12)*
6. GE Medical Systems-Americas approached the Applicant to undertake a unique research partnership to develop the potential of its GE Signa MR TwinSpeed, a

premier unit for cardiac imaging, as well as neurological, orthopedic and extensive breast MR imaging. *(CON Application, page 12)*

7. The Applicant is proposing to upgrade its existing fixed .5 MRI unit to a 1.5T GE Signa MR TwinSpeed and perform necessary renovations to accommodate the new MRI equipment. *(LOI, August 21, 2001)*
8. The Applicant's primary service area towns are Wethersfield, East Hartford, Rocky Hill, Manchester, South Glastonbury, Colchester, South Windsor, Hebron, Marlborough, Newington, Middletown, Cromwell, Portland, and Vernon. *(CON Application, page 13)*
9. Approximately 20% of the Applicant's MRI market share is in Glastonbury. Referral patterns in this market are mature and well established. *(CON Application, page 97 and Responses to Completeness received on February 1, 2002, page 2)*
10. In calendar year 2000 (partial year starting May 30), the Applicant performed 821 MRI exams on the existing MRI unit in Glastonbury. In calendar year 2001, the MRI volume increased to 1,430 total MRI exams. *(CON Application, page 101)*
11. The proposed replacement MRI equipment has the following advantages:
 - a. enhanced diagnostic applications;
 - b. faster image processing time;
 - c. improved image quality; and
 - d. state-of-the-art hardware and software*(CON Application, Appendix F and Responses to Completeness)*
12. The proposed MRI equipment will improve both the quality and diversity of MRI exams offered to the Applicant's existing patient base. *(CON Application, page 12)*
13. The proposed 1.5T MRI system will allow the Applicant to evaluate and advance the application of breast MRI in the evaluation of breast diseases in addition to cardiac imaging research. *(CON Application, page 104)*
14. The proposed 1.5T MRI system will allow the Applicant to perform new sequences to evaluate for subtle brain strokes and subtle cancers. *(CON Application, page 105)*
15. The Applicant anticipates the average MRI examination time to decrease by 10-15 minutes on the proposed 1.5T MRI unit. However, MRI examinations for new diagnostic applications will likely be more time intensive. *(Responses to Completeness received on February 1, 2002, page 1)*
16. The hours of operation for the existing MRI unit are five days a week, eight hours a day, with extended hours when the demand warrants. *(CON Application, page 12)*

17. The Applicant projects the following volume statistics for the first three years of operation with the 1.5 T MRI unit as follows:

Projected Number of Tests: FYs 2002-2004

	Year 2002	Year 2003	Year 2004
Tests	2,000	2,250	2,500

*Based on one additional test per day per year operating 250 days per year
(Responses to Completeness received on February 1, 2002, Exhibit B, page 122)

18. Letters have been submitted from referring physicians in the service area supporting the upgrading of the diagnostic capabilities of the existing MRI unit. (CON Application, page 12 and Appendix B)
19. The Applicant adheres to all American College of Radiology standards and will apply for accreditation for the new MRI unit immediately upon purchase of the machine. (CON Application, page 5)

Financial Feasibility of the Proposal and its Impact on the Applicant's Rates and Financial Condition
Rates Sufficient to Cover Proposed Capital and Operating Costs

20. The proposal has a total capital expenditure of \$2,687,500 as follows:

Project Components	Costs
Fixed Equipment	\$2,400,000
Construction & Renovation	\$287,500
Total Capital Expenditure	\$2,687,500

(CON Application, page 7)

21. The proposal will be financed through a conventional loan and lease financing. (CON Application, page 8)
22. The Applicant projects an excess of revenues with the project of \$189,045, \$320,555, and \$455,545 for the first three years of operation of the replacement MRI equipment. (Responses to Completeness received on February 1, 2002, Exhibit B, page 122)
23. The Applicant will use the 0.5 Tesla MRI unit as a trade-in on the new 1.5 Tesla MRI unit. (Responses to Completeness received on February 1, 2002, page 1)

Consideration of Other 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.:

24. There is no State Health Plan in existence at this time. *(CON Application, page 4)*
25. The Applicant has adduced evidence that this proposal is consistent with the Applicant's long-range plan. The Applicant's goal has always been to adopt state-of-the-art technologies and refine diagnostic and therapeutic imaging techniques both in its hospital and office sites. *(CON Application, page 4 and Appendix A, page 12)*
26. The Applicant has improved productivity and contained costs by participating in group purchasing programs and application of technology. *(CON Application, page 5)*
27. This proposal will result in changes to the Applicant's teaching and research responsibilities. The Applicant is one of only a select number of practices chosen nationwide by GE Medical Systems as a Cardiovascular MR development center. *(CON Application, page 6 and Appendix F)*
28. The unique patient/physician mix characteristics related to this proposal are the 31 radiologists with sub-specialization in MRI, CT, Interventional Radiology, Ultrasound, Nuclear Medicine, Breast Imaging, General Radiology, Neuroradiology, and Pediatric Radiology. *(CON Application, page 6 and Appendix F, page 104)*
29. The Applicant has sufficient technical, financial and managerial competence to provide efficient and adequate services to the public. *(CON Application, page 6 and Appendix D)*

Rationale

The Applicant is proposing to upgrade its existing fixed .5 MRI unit to a 1.5T GE Signa MR TwinSpeed MRI unit and perform necessary renovations to accommodate the replacement MRI equipment. GE Medical Systems-Americas approached the Applicant to undertake a unique research partnership to develop the potential of its 1.5T GE Signa MR TwinSpeed, a premier unit for cardiac imaging, as well as neurological, orthopedic and extensive breast MR imaging.

The proposed replacement MRI equipment will enhance diagnostic applications, provide faster image processing time, improve image quality, and provide state-of-the-art hardware and software. The quality and diversity of MRI exams offered to the Applicant's existing patient base will be enhanced. The proposed 1.5T MRI system will allow the Applicant to evaluate and advance the application of breast MRI in the evaluation of breast diseases, undertake cardiac imaging research, and perform new sequences to evaluate for subtle brain strokes and subtle cancers. The Applicant

anticipates the average MRI examination time to decrease by 10-15 minutes on the proposed 1.5T MRI unit. However, MRI examinations for new diagnostic applications will likely be more time intensive.

The Applicant performed 1,430 total MRI exams in calendar year 2001. The Applicant projects 2,000, 2,250, and 2,500 MRI exams in FYs 2002, 2003, and 2004, respectively with the 1.5T MRI unit. Referral patterns in this market are mature and well established. Letters have been submitted from referring physicians in the service area supporting the upgrading of the diagnostic capabilities of the existing MRI unit. Therefore, the Applicant's volume statistics appear to be realistic.

The proposal is financially feasible. The proposal has a total capital expenditure of \$2,687,500, which will be financed through a conventional loan and lease financing. The Applicant projects an excess of revenues with the project of \$189,045, \$320,555, and \$455,545 for the first three years of operation of the replacement MRI equipment. The Applicant will use the 0.5 Tesla MRI unit as a trade-in on the new 1.5 Tesla unit. With the minimal increase in volume, the financial projections appear to be reasonable and achievable.

Based upon the foregoing Findings and Rationale, the Certificate of Need application of Jefferson X-Ray Group, P.C. to replace its existing MRI Unit in Glastonbury at a total proposed capital expenditure of \$2,687,500 is hereby GRANTED.

Order

Jefferson X-Ray Group, P.C. is hereby authorized to replace its existing MRI Unit in Glastonbury at a total proposed capital expenditure of \$2,687,500, subject to the following conditions:

1. This authorization shall expire on March 7, 2003, unless the Applicant presents evidence to OHCA that the replacement MRI equipment has become operational by that date.
2. The Applicant shall not exceed the approved capital expenditure of \$2,687,500. In the event that the Applicant learns of potential cost increases or expects that final project costs will exceed those approved, the Applicant shall file with OHCA a request for approval of the revised project budget.
3. The Applicant shall notify OHCA of the date of the disposition of the existing MRI equipment.

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: March 7, 2002

Signature
Raymond J. Gorman
Commissioner

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