



Office Of Health Care Access Certificate of Need Application

Final Decision

Applicant: Madison Radiology Imaging, L.L.C.

Docket Number: 01-539

Project Title: Replacement of Existing Magnetic Resonance Imaging Unit

Statutory Reference: Section 19a-639 of the Connecticut General Statutes

Filing Date: January 14, 2002

Hearing: Waived

Decision Date: March 28, 2002

Default Date: April 14, 2002

Staff Assigned: Steven Lazarus
Laura Jaworski

Project Description: Madison Radiology Imaging, L.L.C. (“Applicant”) proposes to replace its existing fixed Magnetic Resonance Imaging (“MRI”) unit, at a total capital cost of \$1,596,848, which includes \$1,396,848 for the fair market value of the fixed equipment.

Nature of Proceedings: On January 14, 2002, the Office of Health Care Access (“OHCA”) received a Certificate of Need (“CON”) application from the Applicant to replace its existing MRI unit, at a total capital cost of \$1,596,848. 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 is non-substantive as defined in Section 19a-643-95(3) of OHCA’s Regulations. On February 19, 2002, the Applicant was informed that the CON application was eligible for consideration of waiver of public hearing, and a notice to the public was published in the *New Haven Register* and the *Northeast Minority News, Inc.* OHCA received a request from Radiologic Associates of Middletown, P.C. to deny the Waiver of Public Hearing, during the public comment period. On February 19, 2002, OHCA denied Radiologic Associates of Middletown, P.C.’s request for a public hearing. On February 19, 2002, OHCA granted the Applicant’s request for waiver of public hearing.

OHCA’s authority to review and approve, modify or deny this proposal is established by Section 19a-639, C.G.S. The provisions of this section as well as the principles and guidelines set forth in Section 19a-637, C.G.S., were fully considered by OHCA in its review.

Findings of Fact

Clear Public Need

Impact of the Proposal on the Applicant’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. Madison Radiology Imaging, L.L.C. (“Applicant”) is a diagnostic imaging center located at 705 Boston Post Road, Guilford, Connecticut. (*September 12, 2002, LOI*)
2. The Applicant acquired its existing .2T MRI unit in 1998, under CON Docket Number 98-1005 and proposes the replacement of its existing .2T MRI unit with a Marconi Medical Systems, I.5T MRI Infinion unit. (*January 12, 2002 LOI*)
3. The replacement of the Applicant’s existing MRI unit will enable the Applicant to use quality state-of-the-art technology in providing its imaging services that will result in faster, higher resolution images and increased productivity. (*January 7, 2002 CON Application, page 1 & 2*)
4. The replacement of the Applicant’s existing MRI unit will further enable the Applicant to service the increasing demands of the referring physicians and their patients. In addition, the Applicant will be able to perform exams such as abdominal imaging, cardiac imaging, breast imaging, complete vascular imaging and advanced neurologic imaging. (*January 7, 2002 CON Application, page 2*)
5. The Applicant considers the Connecticut shoreline from New Haven to New London to be its primary service area. (*September 12, 2002, LOI*)

6. Yale-New Haven Ambulatory Services and Guilford Radiology, both of whom have facilities in Guilford and have recently received CON authorization to offer high field strength MRI services. The Applicant does not anticipate any negative impact on existing providers due to the projected unmet need in the service area. *(January 7, 2002 CON Application, Question 4[I])*.
7. In fiscal year 2001, the Applicant recorded 3,120 visits. There is no significant scheduled backlog and most patients can have their MRI exam scheduled within a day or two of the request. Daily appointments are also available for emergency examinations as necessary. The Applicant's imaging center operates Monday through Friday from 7:30 a.m. until 7:30 p.m. *(January 14, 2002 CON Application Supplemental Filing, page 9 and January 7, 2002 CON Application page 3)*
8. The Applicant's current visits and projected visits for fiscal years 2002-2004 are as follows:

Current & Project Annual Visits				
Fiscal Years	2001	2002	2003	2004
Number of visits	3,120	4,160	4,680	5,200

(January 14, 2002 CON Application Supplemental Information, page 9)

Financial Feasibility and Cost Effectiveness of the Proposal and its Impact on the Applicant's Rates and Financial Condition

9. The CON proposal consists of the following capital cost components: *(January 7, 2002 CON Application, page 5)*

Description	Amount
1.5 Tesla MRI unit (Lease)	\$1,396,848
Construction/Renovation	200,000
Total Capital Cost	\$1,596,848

10. The \$200,000 for the construction/renovations will be paid funded through Applicant's equity. *(January 7, 2002 CON Application, pages 6 and 7)*

11. The equipment lease agreement with Marconi Medical Systems includes a term of five years, a 6.3% interest rate and fifty-seven payments of \$28,775.00 per month. The equipment to be leased by the Applicant has a useful life of seven years and an anticipated value at the end of the lease of \$419,054. *(January 7, 2002 CON Application, page 6)*
12. The Applicant projects the following incremental revenue from operations, operating expenses, and earnings from operations associated with the CON proposal: *(January 14, 2002 Supplemental CON Application filing, page 9)*

Description	FY 2002	FY 2003	FY 2004
Incremental Revenue from Operations	\$78,000	\$1,300,000	\$1,560,000
Incremental Operating Expenses	235,000	395,000	285,000
Incremental Earnings from Operations	(\$157,000)	\$905,000	\$1,275,000

13. The Applicant's projected payer mix for the first three years of operation of the new replacement equipment, is as follows: *(January 7, 2002 CON Application, page 7 and March 20, 2002, Supplemental Email Information)*

Payer Source	Year 1	Year 2	Year 3
Total Government	15%	15%	15%
Commercial Insurers	73%	73%	73%
Self-Pay	2%	2%	2%
Workers Compensation	10%	10%	10%
Uncompensated Care	0%	0%	0%
Total Payer Mix	100%	100%	100%

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.:

14. There is no State Health Plan in existence at this time. *(January 7, 2002 CON Application, page 2)*
15. The Applicant did not provide any evidence that it has a long-range plan. *(January 7, 2002 CON Application, page 2)*
16. The Applicant did not provide any evidence that it has any teaching or research responsibilities. *(January 7, 2002 CON Application, page 4)*

17. The Applicant provided no evidence that there are distinguishing characteristics of the patient/physician mix with regard to its diagnostic imaging center. *(January 7, 2002 CON Application)*
18. The Applicant participates in energy conservation reengineering, group purchasing and application of technology activities to improve productivity and cost containment. *(January 7, 2002 CON Application, page 5)*
19. The Applicant has sufficient technical and managerial competence to provide efficient and adequate service to the public. *(January 7, 2002 CON Application, pages 4 & Exhibit III)*
20. The Applicant's rates are sufficient to cover the proposed capital expenditure and operating costs. *(January 14, 2002 Supplemental CON Application filing, page 9)*

Rationale

Madison Radiology Imaging, LLC (“Applicant”) proposes to replace its existing fixed Magnetic Resonance Imaging (“MRI”), at a total capital cost of \$1,596,848, which includes \$1,396,848 for the fair market value of the fixed equipment. The Applicant currently operates a .2T MRI unit which was approved under CON Docket Number 98-1005. The Applicant proposes to replace its existing MRI unit through the acquisition of a 1.5 tesla MRI 120 Infinion unit by Marconi Medical Systems.

The replacement MRI unit will enable the Applicant to use quality state-of-the-art technology in providing its imaging services that will result in faster, higher resolution images and increased productivity. Further, it will enable the Applicant to service the increasing demands of the referring physicians and their patients. Additionally, the Applicant will be able to perform exams such as abdominal imaging, cardiac imaging, breast imaging, complete vascular imaging and advanced neurologic imaging.

The Applicant’s service area consists of the Connecticut shoreline from New Haven to New London. The Applicant recorded 3,120 visits in fiscal year (“FY”) 2001 and projects the annual visits to increase to 4,160 in FY 2002, 4,680 in FY 2003 and 5,200 in FY 2004. Currently two providers in the Applicant’s service area have acquired CON authorization to offer high field strength MRI services. The Applicant does not anticipate any negative impact on the existing providers due to the projected unmet need in the service area.

The CON proposal’s total capital cost is \$1,596,848, which includes the fair market value of \$1,396,848 for the equipment to be acquired. The MRI equipment will be leased through Marconi Medical Systems; the \$200,000 in construction/renovation costs will be funded through Applicant’s equity. The Applicant is projecting incremental earnings from operations of \$905,000 in FY 2003, \$1,275,000 in FY 2004, after an initial incremental loss in earnings from operations of \$157,000 in FY 2002. These projections appear to be both reasonable and achievable. Therefore, OHCA finds that the CON proposal will not only improve the quality and accessibility of the MRI services provided by the Applicant but also that the CON proposal is financially feasible and cost effective.

Based upon the foregoing Findings and Rationale, the Certificate of Need application of Madison Radiology Imaging, LLC, to replace its existing fixed Magnetic Resonance Imaging at a total capital cost of \$1,596,848, which includes \$1,396,848 for the fair market value of the fixed equipment, is hereby GRANTED.

Order

Madison Radiology Imaging, LLC (“Applicant”) is hereby authorized to replace its existing fixed Magnetic Resonance Imaging (“MRI”), at a total capital cost of \$1,596,848, which includes \$1,396,848 for the fair market value of the fixed equipment, subject to the following conditions:

1. This authorization shall expire on March 27, 2003. Should the Applicant’s MRI replacement project not be completed by that date, the Applicant must seek further approval from OHCA to complete the project beyond that date.
2. The Applicant shall not exceed the approved capital cost of \$1,596,848. 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.

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

March 28, 2002
Date

Signed by
Raymond J. Gorman
Commissioner

RJG/sl