



Office of Health Care Access Certificate of Need Application

Final Decision

Applicants: InSight Health Corporation and Southern Connecticut Imaging Center, LLC d/b/a Whitney Imaging Center

Docket Number: 01-561

Project Title: Addition of High Field Magnetic Resonance Imaging Services at Whitney Imaging Center in Hamden

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

Filing Date: April 3, 2002

Hearing: Waived

Decision Date: May 1, 2002

Default Date: July 2, 2002

Staff Assigned: Harold M. Oberg

Project Description: InSight Health Corporation (“InSight”) and Southern Connecticut Imaging Center, LLC d/b/a Whitney Imaging Center (“SCIC”) propose the addition of high field Magnetic Resonance Imaging (“MRI”) services to be provided at Whitney Imaging Center in Hamden, at a total capital expenditure of \$1,567,018.

Nature of Proceedings: On April 3, 2002, the Office of Health Care Access (“OHCA”) received the Certificate of Need (“CON”) application of InSight Health Corporation and Southern Connecticut Imaging Center, LLC d/b/a Whitney Imaging Center (“Applicants”) for the addition of high field MRI services to be provided at Whitney Imaging Center located at 2200 Whitney Avenue in Hamden, at a total capital expenditure of \$1,567,018. Southern Connecticut Imaging Center, LLC d/b/a Whitney Imaging Center is a health care facility or institution as defined by Section 19a-630 of the Connecticut General Statutes (“C.G.S.”).

The Applicants requested a Waiver of 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 April 8, 2002, the Applicants were 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 in the *Northeast Minority News*. OHCA received no comments from the public concerning the Applicants' request for waiver of hearing during the public comment period, and therefore on April 29, 2002, OHCA granted the Applicants' request for waiver of hearing.

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. InSight Health Corporation is a company that provides diagnostic imaging, treatment, and related management services and equipment on a mobile and fixed site basis to health care providers. (*April 3, 2002 Completeness Responses, page 2*)
2. Southern Connecticut Imaging Center, LLC d/b/a Whitney Imaging Center is a radiology practice that provides diagnostic imaging services to outpatients. SCIC is 50% owned by InSight Health Corporation and 50% owned by New Haven Radiology Associates. (*March 19, 2002 CON Application, pages 24 and 29*)
3. Whitney Imaging Center is a full-service diagnostic imaging center that began operations in the late 1990's, which provides a comprehensive range of imaging services including MRI services to outpatients in the greater Hamden community. Whitney Imaging Center is located at 2200 Whitney Avenue, Suite 120 in Hamden, Connecticut. (*March 19, 2002 CON Application, pages 1,7 and 71*)
4. The patient population utilizing the MRI services provided by SCIC at Whitney Imaging Center primarily consists of the obese and/or claustrophobic patient. SCIC estimates that 30% of its total MRI patients are obese and that of all patients receiving MRI services, 75% are claustrophobic. (*March 19, 2002 CON Application, page 24*)
5. At the present time, Whitney Imaging Center provides fixed site MRI services utilizing a General Electric .7 tesla Open Speed MRI scanner. This open MRI unit allows greater access and acceptability to patients who are claustrophobic or very large. (*November 20, 2001 CON Determination Form, page 3*)

6. SCIC proposes to supplement its existing fixed site open MRI unit at Whitney Imaging Center by adding high field MRI services to be provided by a 1.5 tesla mobile MRI unit to be operated one day per week, at a total capital expenditure of \$1,567,018. InSight will provide this mobile MRI unit on a flat fee daily rental basis from its existing fleet of mobile MRI units. *(March 19, 2002 CON Application, pages 1 and 41)*
7. The proposed MRI unit, a GE Medical Systems 1.5 tesla Signa WideOpen unit, is owned by InSight and is currently in service in Connecticut. The proposed MRI unit is currently operating four days per week at Rockville General Hospital and Johnson Memorial Hospital. Unused capacity on this existing MRI unit (one day per week) will be allocated to SCIC to operate at the Whitney Imaging Center. *(March 19, 2002 CON Application, page 30)*
8. The CON proposal will not require any capital expenditure by SCIC or Whitney Imaging Center. Since SCIC has a fully operational mobile pad and power, no renovations will be required at Whitney Imaging Center. *(March 19, 2002 CON Application, page 10)*
9. The need to add a mobile MRI unit to provide high field MRI services is based on SCIC's volume of MRI procedures performed, a several week scheduling backlog, and the inability to significantly expand hours of operation to increase available scanning time to decrease the current MRI patient backlog. *(March 19, 2002 CON Application, page 10)*
10. SCIC has a significant backlog of scheduled MRI exams. As a result, patients are currently waiting more than two weeks to have their MRI exams completed. Since November 2001, this backlog has negatively affected SCIC's patients and their ability to access MRI services at Whitney Imaging Center. *(March 19, 2002 CON Application, page 11)*
11. In response to the scheduling delay and MRI scan backlog, SCIC expanded its hours of operation. SCIC is currently open from 8:00 am to 11:00 pm on Monday through Friday and from 8:00 am to 4:00 pm on Saturday for MRI services. The ability to further expand Whitney Imaging Center's hours of operation in response to the existing backlog of MRI procedures is not feasible. *(March 19, 2002 CON Application, pages 12 and 13)*
12. As of February 2002, SCIC had a backlog of 122 patients who were scheduled for MRI exams. On average, patients are currently waiting seventeen days for their scheduled appointment for an MRI exam. *(March 19, 2002 CON Application, page 1)*
13. Due to the existing backlog of MRI scans, patients who cannot wait for a scheduled MRI scan are referred elsewhere. On average, eight patients a week are referred to other providers because of SCIC's inability to schedule an MRI scan in a reasonable timeframe. In addition, during unexpected downtime or during scheduled maintenance, patients are either rescheduled or referred elsewhere for their MRI scans. This causes unnecessary inconvenience to the patient. *(March 19, 2002 CON Application, page 16)*

14. Patients who have appointments with physicians located in the same building as Whitney Imaging Center often are forced to travel elsewhere for their MRI scans. The orthopedic physician practice located in the same building refers its patients to facilities with a 1.5 tesla MRI unit due to this type of unit's enhanced image quality and shorter scan time especially for patients in pain. *(March 19, 2002 CON Application, page 16)*
15. In addition to the primary objective of reducing patient backlog, the high field mobile MRI unit will allow SCIC to perform the following additional MRI scans: *(March 19, 2002 CON Application, pages 13 and 14)*
- a. Magnetic Resonance Cholecystopancreatography ("MRCP") studies of the liver and pancreas,
 - b. Magnetic Resonance Angiography ("MRA") studies of the renal arteries,
 - c. Circle of Willis Studies,
 - d. Wrist, and
 - e. Pituitary.
16. The primary service area for the proposed high field MRI services includes the towns of Hamden, North Haven and New Haven. The secondary service area for the proposed high field MRI services includes the towns of Wallingford, East Haven, West Haven, Cheshire, Northford, Woodbridge, Branford, Milford, Bethany, Meriden and Orange. *(March 19, 2002 CON Application, page 14)*
17. In FY 2001, Whitney Imaging Center's actual volume was 3,343 MRI scans, and its budgeted volume in FY 2002 is 3,431 MRI scans. *(March 19, 2002 CON Application, page 11)*
18. SCIC projects MRI exam utilization at Whitney Imaging Center for FY 2002, FY 2003 and FY 2004 to be as follows: *(April 3, 2002 Completeness Responses, page 14)*

MRI Utilization at Whitney Imaging Center

Statistic	FY 2002	FY 2003	FY 2004
Total MRI Exams with the CON Proposal	3,691	4,003	4,055
Total MRI Exams without the CON Proposal	3,431	3,431	3,431
Increase in MRI Exams	260	572	624

19. SCIC projects that in the first year of operation of the high field mobile MRI unit, MRI scan volume will equal 10 MRI scans per day operating one day per week. In years two and three, SCIC projects that MRI scan volume will increase to 12 MRI scans per day operating one day per week. *(March 19, 2002 CON Application, page 21)*
20. SCIC follows the American College of Radiology's practice guidelines for MRI imaging. *(March 19, 2002 CON Application, page 20)*

**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**

21. The total capital expenditure of \$1,567,018 for the CON proposal is broken down as follows: *(April 3, 2002 Completeness Responses, page 11)*

Description	Cost
Movable Equipment (1.5 tesla mobile MRI unit and coach)	\$1,945,050
Less: Accumulated Depreciation	378,032
Total Capital Expenditures (Net Book Value as of 2/28/02)	\$1,567,018

22. InSight acquired the proposed mobile MRI unit and coach on July 2, 2000 for \$1,945,050, which was funded by a conventional loan with a 9.5% interest rate, a monthly payment of \$31,789 and a loan term of 84 months. *(April 3, 2002 Completeness Responses, page 12)*

23. SCIC projects the following incremental revenue from operations, operating expenses, and gain/(loss) from operations associated with the CON proposal: *(April 3, 2002 Completeness Responses, page 14)*

Description	FY 2002	FY 2003	FY 2004
Incremental Revenue from Operations	\$195,000	\$429,000	\$468,000
Incremental Operating Expenses	182,477	381,954	398,958
Incremental Gain/(Loss) from Operations	\$ 12,523	\$ 47,046	\$ 69,042

24. The average net revenue received by SCIC from all payers is \$750 per MRI scan. SCIC's current charge structure and existing payer contracts are not anticipated to change as a result of the CON proposal. *(March 19, 2002 CON Application, page 36)*

25. SCIC's projected payer mix during the first three years of the provision of the proposed high field MRI services is as follows: *(March 19, 2002 CON Application, page 34)*

Projected Payer Mix	
Payer	Percentage
Medicare	9.9%
Medicaid	1.7%
TriCare	0.0%
Commercial Insurers	75.3%
Self-Pay	8.1%
Workers Compensation	5.0%
Uncompensated Care	0.0%
Total Payer Mix	100.0%

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.:

26. There is no State Health Plan currently in existence. *(March 19, 2002 CON Application, page 8)*
27. The Applicants have adduced evidence that this proposal is consistent with their respective long-range plans. *(March 19, 2002 CON Application, page 9)*
28. The Applicants have no teaching or research responsibilities that would be affected as a result of the proposal. *(March 19, 2002 CON Application, page 24)*
29. There are no distinguishing or unique characteristics of the patient/physician mix related to the Applicants' proposal. *(March 19, 2002 CON Application, page 24)*
30. The Applicants have implemented various activities to improve productivity and contain costs. *(March 19, 2002 CON Application, page 23)*
31. The Applicants have sufficient technical, financial and managerial competence to provide efficient and adequate service to the public. *(March 19, 2002 CON Application, pages 77 - 141)*
32. The Applicants' proposal includes rates for MRI services that are sufficient to cover the proposed capital expenditure and projected operating expenses. *(March 19, 2002 CON Application, page 36 and April 3, 2002 Completeness Responses, page 14)*

Rationale

InSight Health Corporation (“InSight”) and Southern Connecticut Imaging Center, LLC d/b/a Whitney Imaging Center (“SCIC”), together referred to hereafter as “the Applicants”, propose the addition of high field Magnetic Resonance Imaging (“MRI”) services to be provided one day per week at Whitney Imaging Center located at 2200 Whitney Avenue in Hamden, at a total capital expenditure of \$1,567,018. The Applicants propose to acquire and operate a high field 1.5 tesla mobile MRI unit with superior diagnostic imaging capabilities and image processing speed over those of other MRI units with lower magnet strength.

SCIC has a significant backlog of scheduled MRI exams. As a result, patients are currently waiting more than two weeks to have their MRI exams completed. In response to the scheduling delay and MRI scan backlog, SCIC expanded its hours of operation. However, SCIC’s ability to further expand its hours of operation to alleviate the existing backlog of MRI scans is severely limited. Due to the existing backlog of MRI scans, patients who cannot wait for a scheduled MRI scan are referred elsewhere. On average, eight patients a week are referred to other providers because of SCIC’s inability to schedule an MRI scan in a reasonable timeframe. The CON proposal will improve access to MRI services for SCIC’s patients by providing additional scanning time that will alleviate the current scheduling backlog at Whitney Imaging Center.

The high field mobile MRI unit will complement SCIC’s existing mid field MRI unit so that SCIC can better serve the needs of its patients. The ability to perform MRI scans involving the liver, pancreas, renal arteries, wrist and pituitary as well as Circle of Willis studies using the proposed high field MRI unit, will provide SCIC’s patients with the latest technology available. In addition, the higher field MRI unit has a shorter scan time that will be advantageous for SCIC’s patients who are experiencing severe pain. Therefore, OHCA finds that the Applicants have demonstrated that there is sufficient need for the addition of high field MRI services at Whitney Imaging Center in Hamden.

The proposed total capital expenditure of \$1,567,018 will be funded by debt financing through a conventional loan obtained by InSight. SCIC projects MRI exams of 3,691, 4,003 and 4,055 for FY 2002, FY 2003 and FY 2004 respectively. In addition, SCIC projects incremental gains from operations of \$12,523, \$47,046 and \$69,042 for FY 2002, FY 2003 and FY 2004 respectively. SCIC’s projected MRI exams during the first three years of the provision of the proposed high field MRI services appear to be achievable. Since the financial forecast is based on the projected MRI exams, OHCA believes it is likely that the associated projected incremental gains from operations would also be achievable. Therefore, OHCA finds that the Applicants’ proposal will not only improve both the quality and accessibility of the MRI services provided by SCIC in Hamden but that the Applicants’ proposal is also both financially feasible and cost effective.

Based on the foregoing Findings and Rationale, the Certificate of Need application of InSight Health Corporation and Southern Connecticut Imaging Center, LLC d/b/a Whitney Imaging Center to add high field MRI services to be provided at Whitney Imaging Center located at 2200 Whitney Avenue in Hamden, at a total capital expenditure of \$1,567,018, is hereby GRANTED.

Order

InSight Health Corporation and Southern Connecticut Imaging Center, LLC d/b/a Whitney Imaging Center (“Applicants”) are hereby authorized to add high field Magnetic Resonance Imaging (“MRI”) services to be provided at Whitney Imaging Center located at 2200 Whitney Avenue in Hamden, at a total capital expenditure of \$1,567,018 subject to the following conditions:

1. This authorization shall expire on May 1, 2003. Should the Applicants’ high field MRI services not be implemented by that date, the Applicants must seek further approval from OHCA to complete the project beyond that date.
2. The Applicants shall not exceed the approved total capital expenditure of \$1,567,018. 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 InSight Health Corporation and Southern Connecticut Imaging Center, LLC d/b/a Whitney Imaging Center regarding the provision of high field MRI services at Whitney Imaging Center in Hamden, shall be established based upon their 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

May 1, 2002
Date

Signed by:
Raymond J. Gorman
Commissioner

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