



## Office Of Health Care Access Certificate of Need Application

### Final Decision

**Applicant:** Connecticut Valley Radiology, PC

**Docket Number:** 01-563

**Project Title:** Replacement of Existing Magnetic Resonance Imaging Unit

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

**Filing Date:** February 27, 2002

**Hearing:** Waived

**Decision Date:** April 16, 2002

**Default Date:** May 28, 2002

**Staff Assigned:** Steven Lazarus  
Laura Jaworski

**Project Description:** Connecticut Valley Radiology, PC (“Applicant”) proposes to replace its existing open Magnetic Resonance Imaging (“MRI”) unit, at a total capital cost of \$1,137,937, which includes \$168,337 in capitalized financing.

**Nature of Proceedings:** On February 27, 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 \$1,137,937. The Applicant is a health care facility or institution as defined by Section 19a-630 of the Connecticut General Statutes (“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 is non-substantive as defined in Section 19a-643-95(3) of OHCA’s Regulations. On March 15, 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 *Hartford Courant* and the *Northeast Minority News, Inc.* OHCA received no comments from the public concerning the Applicant’s request for waiver of public hearing during the public comment period, and therefore on April 15, 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. Connecticut Valley Radiology, PC (“Applicant”), located at 19 Woodland Street, Hartford, Connecticut, is a full-service diagnostic imaging center, providing CT scanning, plain radiography, mammography, ultrasound, fluoroscopy, and MRI services. (*December 11, 2001, Letter of Intent, Project Description, page 1*)
2. The Applicant received approval for its existing Hitachi MRP-5000 Open MRI under CON Determination Report 99-Z2a, and has been providing open MRI services since June 1, 2000. (*December 11, 2001, Letter of Intent, Project Description, page 1 and February 27, 2002 CON application, Cover Letter*)
3. The Applicant seeks to replace its existing equipment with a Hitachi AIRIS II Open MRI, a unit with a 0.3T field strength. (*February 27, 2002, CON application, Response to Question 1 and Vendor Quotation, Appendix 11, page 1 of 6*)
4. Municipalities in the Applicant’s primary service area include Bloomfield, East Hartford, Hartford, Newington, South Windsor, West Hartford, Wethersfield, and Windsor. On occasion, the Applicant services patients from the Farmington Valley

and Litchfield and Tolland Counties. *(December 11, 2001, Letter of Intent, Project Description, page 1)*

5. The replacement of the Applicant's existing MRI unit will allow for newer clinical applications, which the current scanner cannot provide. These applications include rapid gradient, FLAIR/diffusion, vascular, cardiovascular, and kinetic imaging. *(December 11, 2001, Letter of Intent, Project Description, pages 1 and 2, and February 27, 2002, CON application, Response to Question 4)*
6. The replacement of the Applicant's existing MRI unit will enable the Applicant to use a state-of-the-art piece of technology, thereby servicing patients more efficiently by allowing for improved patient throughput.
7. Currently, a scheduling backlog of two to three days exists for routine examinations, same day service is difficult to perform, and urgent examinations are being done on overtime. The Applicant's hours of operation are Monday through Friday, 8:15 am to 5:00 pm. *(February 27, 2002, CON application, Cover Letter and Response to Question 4)*
8. Other MRI providers in the Applicant's service area include Hartford Hospital and St. Francis Hospital and Medical Center and their respective outpatient centers, as well as Bloomfield Radiology and Westwood Imaging. Phone canvassing of these institutions during a one-week period in November 2001 revealed a range of MRI scheduling backlogs. The Applicant does not anticipate any negative impact upon existing providers, as any increased volume associated with the Applicant's practice would otherwise have to be absorbed by the other facilities, which currently experience heavy volumes and backlogs. *(February 27, 2002, CON application, Response to Question 4)*
9. The Applicant employs two Spanish-speaking staffers to accommodate individual needs and obtain accurate patient history prior to examination for those patients for whom English is a second language. *(February 27, 2002, CON application, Response to Question 4)*
10. In Fiscal Year ("FY") 2001, the Applicant performed 1,342 procedures; currently, the approximate number of monthly cases is 140. Annual growth is 11.03%. Projected annual procedures for FYs 2002-2004 are as follows: *(February 27, 2002, CON application, Responses to Questions 4 and 12D)*

<b>Projected Annual Procedures</b>			
<b>Fiscal Years</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
<b>Number of Procedures</b>	1,490	1,639	1,802

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

11. The Applicant's proposal consists of the following capital cost components: *(February 27, 2002, CON application, Response to Question 9)*

<b>Description</b>	<b>Amount</b>
Fixed Equipment (Purchase)	\$860,000
Fair Market Value of Space	9,600
Construction/Renovation	70,000
Miscellaneous Costs	30,000
Capitalized Financing	168,337
<b>Total Capital Cost</b>	<b>\$1,137,937</b>

12. The fixed equipment will be purchased via a loan, and includes a term of 60 months, a 6.75% interest rate, and monthly payments of \$18,306. The equipment to be purchased by the Applicant has a useful life greater than 60 months, and an anticipated value at the end of the loan term of \$178,000. *(February 27, 2002, CON application, Responses to Questions 10 and 11A)*

13. The \$30,000 allocated for miscellaneous costs will be funded through Applicant's equity. *(February 27, 2002, CON application, Response to Question 11A)*

14. The Applicant assumes a \$600 per procedure average reimbursement for MRI services. *(February 27, 2002, CON application, Response to Question 12D)*

15. The Applicant projects the following incremental revenue from operations, operating expenses, and earnings from operations associated with the CON proposal: *(February 27, 2002, CON application, Response to Question 12D)*

<b>Description</b>	<b>FY 2002</b>	<b>FY 2003</b>	<b>FY 2004</b>
Incremental Revenue from Operations	\$88,800	\$178,200	\$276,000
Incremental Operating Expenses	141,800	240,500	241,501
<b>Incremental Earnings from Operations</b>	<b>(\$53,000)</b>	<b>(\$62,300)</b>	<b>\$ 34,499</b>

16. The Applicant renders services to all patients regardless of ability to pay, and participates in all managed care plans, including Medicare and Medicaid. *(February 27, 2002, CON application, Response to Question 4)*

17. The Applicant's projected payer mix for the first three years of operation with the new replacement equipment is as follows: *(February 27, 2002, CON application, Response to Question 12A)*

<b>Payer Source</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
Total Government	23.15%	23.35%	23.55%
Commercial Insurers	62.74%	62.61%	62.34%
Self-Pay	2.57%	2.57%	2.57%
Workers Compensation	6.09%	6.09%	6.09%
Uncompensated Care	0.40%	0.40%	0.40%
Liability	5.05%	5.05%	5.05%
<b>Total Payer Mix</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

## **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.:

18. There is no State Health Plan in existence at this time. *(February 27, 2002, CON application, Response to Question 2)*
19. The Applicant's proposal is consistent with its long-range plan. *(February 27, 2002, CON application, Response to Question 2)*
20. The Applicant's proposal will have no effect on its current teaching and research responsibilities. *(February 27, 2002, CON application, Response to Question 7A)*
21. There are no distinguishing characteristics of the Applicant's patient/physician mix. *(February 27, 2002, CON application, Response to Question 7B)*
22. The Applicant is currently participating in energy conservation, group purchasing, and the application of technology programs to improve productivity and contain costs. The Applicant participates in two buying cooperatives, Premier and the CHA shared services program. *(February 27, 2002, CON application, Response to Question 6)*
23. The Applicant has sufficient technical and managerial competence to provide efficient and adequate service to the public. *(February 27, 2002, CON application, Response to Question 12D)*
24. The Applicant's rates are sufficient to cover the proposed capital expenditure and operating costs. *(February 27, 2002, CON application, Responses to Questions 12C and 12D)*

## Rationale

Connecticut Valley Radiology, PC (“Applicant”), located in Hartford, Connecticut, proposes to replace its existing open Magnetic Resonance Imaging (“MRI”) unit at a total capital cost of \$1,137,937, which includes \$168,337 in capitalized financing. The Applicant currently operates a Hitachi MRP-5000 Open MRI, approved under CON Determination Report 99-Z2a, and proposes to replace this existing unit with the acquisition of a 0.3T Hitachi AIRIS II Open MRI.

The replacement MRI unit will enable the Applicant to engage in clinical applications that the current scanner cannot provide, such as rapid gradient, FLAIR/diffusion, vascular, cardiovascular, and kinetic imaging, thereby augmenting the Applicant’s service offerings. Further, it will facilitate the use of quality state-of-the-art technology in the provision of imaging services, resulting in improved patient throughput and reduced scheduling backlogs.

Municipalities in the Applicant’s primary service area include Bloomfield, East Hartford, Hartford, Newington, South Windsor, West Hartford, Wethersfield, and Windsor; occasionally, the Applicant services patients from the Farmington Valley and Litchfield and Tolland Counties. The Applicant performed 1,342 MRI procedures in FY 2001, and projects annual procedures to increase to 1,490, 1,639, and 1,802 in FYs 2002, 2003, and 2004, respectively. The Applicant does not anticipate any negative impact upon the existing providers, as any increased volume associated with the Applicant’s practice would otherwise have to be absorbed by other facilities, which currently experience their own heavy volumes and backlogs. Therefore, OHCA finds that the CON proposal will improve the quality of the MRI services provided by the Applicant.

The CON proposal’s total capital cost is \$1,137,937, which includes \$168,337 in capitalized financing. The fixed equipment will be purchased via a loan, and includes a term of 60 months, a 6.75% interest rate, and monthly payments of \$18,306. The equipment to be purchased by the Applicant has a useful life greater than 60 months, and an anticipated value at the end of the loan term of \$178,000. The Applicant projects incremental earnings from operations of \$34,499 in FY 2004, after initial incremental losses in earnings from operations of \$53,000 in FY 2002 and \$62,300 in FY 2003. These projections appear to be both reasonable and achievable. OHCA concludes that the CON proposal is financially feasible and cost-effective.

Based upon the foregoing Findings and Rationale, the Certificate of Need application of Connecticut Valley Radiology, PC to replace its existing open Magnetic Resonance Imaging unit at a total capital cost of \$1,137,937, which includes \$168,337 in capitalized financing, is hereby GRANTED.

## Order

Connecticut Valley Radiology, PC (“Applicant”) is hereby authorized to replace its existing open Magnetic Resonance Imaging (“MRI”) unit, at a total capital cost of \$1,137,937, which includes \$168,337 in capitalized financing, subject to the following conditions:

1. This authorization shall expire on April 16, 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 \$1,137,937. 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

April 16, 2002  
Date

Signed by:  
Raymond J. Gorman  
Commissioner

RJG/Sl:lj