



Office Of Health Care Access Certificate of Need Application

Final Decision

Applicants: MidState Radiology Associates and InSight Health Services Corporation

Docket Number: 02-1000

Project Title: Replace Part-Time Mobile MRI at Wallingford Diagnostic Imaging Center

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

Filing Date: May 6, 2002

Hearing: Waived

Decision Date: May 28, 2002

Default Date: August 5, 2002

Staff Assigned Kim Martone
Sandra Czunas

Project Description: MidState Radiology Associates and InSight Health Services Corporation (“Applicants”) propose to replace the part-time mobile open MRI at Wallingford Diagnostic Imaging Center located at 97 Barnes Road in Wallingford, Connecticut at a total proposed capital cost of \$1,206,780.

Nature of Proceedings: On May 6, 2002, the Office of Health Care Access (“OHCA”) received the Applicants’ Certificate of Need (“CON”) application seeking authorization to replace the part-time mobile open MRI at Wallingford Diagnostic Imaging Center located at 97 Barnes Road in Wallingford at a total proposed capital cost of \$1,206,780. According to Section 19a-639 of the Connecticut General Statutes (“C.G.S.”), each person or facility proposing to acquire or replace imaging equipment with a capital cost in excess of \$400,000 requires CON authorization.

The Applicants 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 May 9, 2002, in the *Record Journal* in Meriden and on May 9, 2002 in the *Northeast Minority News, Inc.* in Hartford. OHCA received no comments during the public comment period concerning the Applicants' request for waiver of public hearing and therefore, on May 24, 2002, OHCA granted the Applicants' 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 Applicants' Current Utilization Statistics Contribution of the Proposal to the Accessibility and Quality of Health Care Delivery in the Region

1. MidState Radiology Associates ("MRA") is a private radiology group practice located at 101 North Plains Industrial Road in Wallingford that has provided radiology services in Wallingford since 1958. Radiologists practicing within the group own MRA. (*Certificate of Need Determination Report 01-F2, January 16, 2002, page 1*)
2. Wallingford Diagnostic Imaging Center ("WDIC") is owned and operated by Meriden Imaging Center, Inc. ("MIC") and is located at 97 Barnes Road in Wallingford. (*Certificate of Need Determination Report 01-F2, January 16, 2002, page 1*)
3. MIC is operated by MRA and is jointly owned by MRA and MidState Medical Center. MidState Medical Center has no ownership interest in MRA. (*Certificate of Need Determination Report 01-F2, January 16, 2002, page 1*)
4. MIC currently leases a mobile unit from InSight Health Services Corporation ("InSight") for use at the WDIC one day per week. (*Certificate of Need Determination Report 01-F2, January 16, 2002, page 1*)
5. MRA and Signal Medical Services, Inc. ("SMS") (predecessor to InSight) executed a two-year lease agreement on June 3, 1997 whereby SMS provided MRA with the use of a Hitachi 7000 Open MRI at the WDIC. (*Certificate of Need Determination Report 01-F2, January 16, 2002*)

6. The cost of the Hitachi 7000 Open MRI unit was \$231,411, which is under the statutory threshold of \$400,000 set forth in Section 19a-639, C.G.S.; and therefore, CON authorization was not required. *(Certificate of Need Determination Report 01-F2, January 16, 2002, page 2)*
7. On August 30, 1998, the Hitachi MRI unit used at the WDIC was replaced by InSight with a GE 0.2 Tesla Profile Open MRI Unit at a total acquisition cost of \$1,201,600. *(Certificate of Need Determination Report 01-F2, January 16, 2002, page 2)*
8. In the CON Determination issued under Report # 01-F2, OHCA determined that CON authorization was required by the Applicants when the MRI equipment was replaced in 1998. *(Certificate of Need Determination Report 01-F2, January 16, 2002, page 2)*
9. As required by OHCA, MRA and InSight (“Applicants”) are requesting CON approval for the replacement MRI equipment that is in use at the WDIC. *(CON Application, March 27, 2002, page 1)*
10. The Applicants stated the replacement of the Hitachi 7000 Open MRI unit with the GE 0.2 Tesla Profile Open MRI unit was based on equipment availability, uniformity, standardization and reduction in maintenance costs. *(Response to Completeness, May 6, 2002, page 2)*
11. The Applicants reported the following volume statistics for the years 1998 to 2001:

Description	1998 Hitachi	1998 GE	1999 GE	2000 GE	2001 GE
Scans	157	142	333	404	354

(Response to Completeness, May 6, 2002 page 7)

12. The Applicants stated that the availability of Open Air MRI technology obviates the need for patients to travel outside their primary service area to obtain this service. *(CON Application, March 27, 2002, page 10)*
13. The hours of operation for the Open MRI unit are 7:30a.m. until 5:00 p.m. one day per-week. *(CON Application, March 27, 2002, page 10)*
14. The Applicants state that they adhere to all American College of Radiology standards. *(CON Application, March 27, 2002, page 11)*

**Financial Feasibility of the Proposal and the 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**

15. The proposal has a total capital cost of \$1,201,600 and includes the following components:

Project Components	Cost
Movable Equipment (Purchase)	\$39,473
Total Capital Expenditure	\$39,473
Movable Equipment (Lease (FMV))	\$1,167,307
Total Capital Cost	\$1,206,780

(CON Application, March 27, 2002, page 16)

16. The replacement MRI equipment was financed through an equity contribution from operations of \$39,473 and lease financing of \$1,167,306. *(CON Application, March 27, 2002, page 18)*
17. The Applicants have maintained an excess of revenues with the project of \$33,289, \$210,621, and \$177,749 for the first three years of operation of the replacement MRI equipment. *(CON Application, March 27, 2002, page 138)*
18. The Applicants' rates are sufficient to cover the proposed capital and operating costs. *(CON Application, March 27, 2002, page 138)*

**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.:

19. There is no State Health Plan in existence at this time. *(CON Application, March 27, 2002 page 8)*
20. The Applicants have adduced evidence that this request is consistent with the Applicants' long-range plans. *(CON Application, March 27, 2002, page 9)*
21. The Applicants have improved productivity and contained costs by participating in the application of technology. InSight Health Services Corporation continues to upgrade the telecommunications and information systems capabilities. *(CON Application, March 27, 2002, page 13)*
22. This request will not result in changes to the Applicants' teaching and research responsibilities. *(CON Application, March 27, 2002, page 14)*

23. There are no distinguishing characteristics of the patient/physician mix making this facility unique. *(CON Application, March 27, 2002, page 14)*
24. The Applicants have sufficient technical, financial and managerial competence to provide efficient and adequate services to the public. *(CON Application, March 27, 2002, Attachment 2, pages 32-52 14)*

Rationale

MidState Radiology Associates (“MRA”) entered into a two-year lease agreement on June 2, 1997 with Signal Medical Systems, Inc., predecessor to InSight Health Services Corporation (“InSight”) for the use of a Hitachi 7000 Open MRI at Wallingford Diagnostic Imaging Center. Since the capital cost of the unit was under the statutory threshold for the acquisition of equipment, CON authorization was not required. On August 30, 1998, the Hitachi MRI unit used at the WDIC was replaced by InSight with a GE 0.2 Tesla Profile Open MRI Unit at a total acquisition cost of \$1,201,600. The Applicants did not seek authorization for this unit. On January 16, 2002, OHCA determined that the cost of the replacement MRI equipment required CON authorization when it was acquired in 1998, pursuant to Section 19a-639, C.G.S. As required by OHCA in Certificate of Need Determination issued under Report Number 01-F2, MRA and InSight (“Applicants”) are requesting CON approval for the replacement MRI equipment that is in use at the WDIC.

The replacement of the Hitachi 7000 Open MRI unit with the GE 0.2 Tesla Profile Open MRI unit was based on the availability of equipment, uniformity, standardization and the reduction in future maintenance costs. The Applicants reported performing 142, 333, 404, and 354 scans on the GE Open MRI unit during the years 1998, 1999, 2000 and 2001, respectively. As the Applicants have stated, the availability of Open Air MRI technology obviates the need for patients to travel outside their primary service area to obtain this service.

Finally, the Applicants’ request is financially feasible. The total capital cost of \$1,206,780 for the replacement equipment was financed through an equity contribution from operations of \$39,473 and lease financing of \$1,167,306. The Applicants have maintained an excess of revenues with the project of \$33,289, \$210,621, and \$177,749 for the first three years of operation of the replacement MRI equipment. Therefore, the Applicants’ request is in the best interest of consumers and payers of health care services.

Based upon the foregoing Findings and Rationale, the Certificate of Need application of MidState Radiology Associates and InSight Health Services Corporation to replace the part-time mobile open MRI at Wallingford Diagnostic Imaging Center located at 97 Barnes Road in Wallingford, Connecticut, at a total capital cost of \$1,206,780. is hereby GRANTED.

Order

MidState Radiology Associates and InSight Health Services Corporation are hereby authorized to replace the part-time mobile open MRI at Wallingford Diagnostic Imaging Center located at 97 Barnes Road in Wallingford, Connecticut, at a total capital cost of \$1,206,780.

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 28, 2002
Date

Signed by:
Raymond J. Gorman
Commissioner

RJG:km