



## Office Of Health Care Access Certificate of Need Application

### Final Decision

**Applicant:** Robert D. Russo, M.D. & Associates Radiology, P.C.

**Docket Number:** 02-503

**Project Title:** Replacement of CT Scanner

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

**Filing Date:** April 3, 2002

**Hearing:** Waived

**Decision Date:** April 29, 2002

**Default Date:** July 2, 2002

**Staff Assigned:** Sandra Czunas

**Project Description:** Robert D. Russo, M.D. & Associates Radiology, P.C. (“Applicant”) proposes to replace its existing CT Scanner with new upgraded equipment at a total capital cost of \$778,995.

**Nature of Proceedings:** On April 3, 2002, the Office of Health Care Access (“OHCA”) received a Certificate of Need (“CON”) application from Robert D. Russo, M.D. & Associates Radiology, P.C. to replace its existing CT Scanner at a total capital cost of \$778,995. 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 April 9, 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 no comments from the public concerning the Applicant's request for waiver of public hearing during the public comment period, and therefore on April 25, 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. Robert D. Russo, M.D. & Associates Radiology, P.C. ("Applicant") is a diagnostic imaging center located at 46 Prince Street in New Haven, Connecticut. (*January 18, 2002, Letter of Intent*)
2. The Applicant proposes replacement of its existing GE 9800 CT Scanner with a new, state-of-the-art, Phillips MX 8000D high-speed dual-slice whole body CT scanner, at a total capital cost of \$778,995. (*March 20, 2002 CON Application, page 1*)
3. The Applicant's present CT scanner has outlived its usefulness and has been fully depreciated. It now requires costly maintenance and reliability and access have been affected. (*March 20, 2002 CON Application, page 2*)
4. The new Phillips MX 8000D CT scanner offers faster scan times, and higher resolutions and is capable of additional studies including vascular, high-resolution chest, reconstruction and multiple joint scanning. (*March 20, 2002 CON Application, page 2*)
5. Currently, the Applicant performs four to five CT scans daily and has no scheduling backlogs. Referral patterns are expected to remain the same, and the Applicant will continue to serve New Haven physicians and their patients. (*March 20, 2002 CON Application, page 2*)
6. The Applicant projects a scan volume of 1,987 scans based on CT procedures performed during 2001 on a similar model CT scanner located at one of the Applicant's other imaging centers. (*March 20, 2002 CON Application, page 75, Attachment 3*)

7. The Applicant's diagnostic imaging center operates Monday through Friday from 8:30 a.m. until 5:00 p.m. and Saturday, 8:00 a.m. until 12:00 p.m. (March 20, 2002 CON Application, page 2)

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

8. The Applicant proposes to acquire the new CT scanner through an Applicant equity contribution from operations of \$75,000 and lease financing in the amount of \$703,995. (March 20, 2002 CON Application, page 7)
9. The CON proposal consists of the following capital cost components:

Description	Amount
CT Scanner (Lease)	\$703,995
Construction/Renovations	75,000
<b>Total Capital Cost</b>	<b>\$778,995</b>

(March 20, 2002 CON Application, page 5)

10. The equipment lease agreement with Marconi Medical Systems includes a term of five years, a 5.199% interest rate and sixty payments of \$13,292 per month. (March 20, 2002 CON Application, page 7)
11. The Applicant projects an excess of revenues incremental to the proposed service of \$92,623, \$250,943 and \$323,400 for FYs 2002, 2003 and 2004 respectively. (Supplemental Submission, Financial Pro-forma, April 3, 2002)
12. The Applicant does not project a change in payer mix as the target population and referral base are expected to remain the same.

**Payer Mix**

Total Facility	Current Payer Mix	Year 1 Projected Payer Mix	Year 2 Projected Payer Mix	Year 3 Projected Payer Mix
Medicare	23	23	23	23
Medicaid (includes other medical assistance)	0	0	0	0
<b>Total Government</b>	23	23	23	23
Commercial Insurers	63	63	63	63
Self-Pay	9	9	9	9
Workers Compensation	3	3	3	3
<b>Total Non-Government Payers</b>	75	75	75	75
Uncompensated Care	2	2	2	2
<b>Total Payer Mix</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

(March 20, 2002 CON Application, page 2)

## 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.:

13. There is no State Health Plan in existence at this time. *(March 20, 2002 CON Application, page 2)*
14. The proposal is consistent with Applicant's long-range plan. *(March 20, 2002 CON Application, page 2)*
15. The Applicant indicates this proposal will be additive to the caseload of radiological procedures available to the radiology residents at St. Vincent's Medical Center. *(March 20, 2002 CON Application, page 4)*
16. There are no distinguishing characteristics of the patient/physician mix with regard to its diagnostic imaging center. *(March 20, 2002 CON Application, page 4)*
17. The Applicant has improved productivity and contained costs through energy conservation, reengineering, group purchasing and the application of technology. *(March 20, 2002 CON Application, page 4)*
18. The Applicant has sufficient technical and managerial competence to provide efficient and adequate service to the public. *(March 20, 2002 CON Application, page 4)*
19. The Applicant's rates are sufficient to cover the proposed capital expenditure and operating costs. *(Supplemental Submission, Financial Pro-forma, April 3, 2002)*

## Rationale

Robert D. Russo, M.D. & Associates Radiology, P.C. (“Applicant”) proposes the replacement of its existing CT Scanner, at a total capital cost of \$778,995. The Applicant proposes to acquire a Phillips MX 8000D high-speed dual-slice whole body CT Scanner, which represents a significant upgrade in the quality and capability of the CT Scanner equipment currently operated by the Applicant.

The replacement of the Applicant’s existing CT Scanner will enable the Applicant to use quality state-of-the-art technology in providing CT Scanning diagnostic imaging services resulting in a faster CT scan technique, higher resolution images and improved patient compliance and cooperation during the performance of the CT scan. OHCA finds that this proposal will improve the quality and accessibility of CT scanning and services provided by the Applicant by enhancing workflow and expanding the Applicant’s diagnostic imaging capability.

The CON proposal’s total capital cost of \$778,995, which represents the fair market value of the equipment to be acquired, will be funded by an equipment lease agreement. The Applicant is projecting 1,987 CT scans for the first year of operations of the new replacement equipment based on CT scan procedures performed on a similar model scanner located at one of the Applicant’s other imaging centers. The Applicant is also projecting incremental earnings from operations of \$92,623, \$250,943 and \$323,400 for FYs 2002, 2003 and 2004 respectively for the first three years of operation of the new replacement equipment. These projections appear to be both reasonable and achievable. Therefore, 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 Robert D. Russo, M.D. & Associates Radiology, P.C. to replace its existing CT Scanner equipment with new upgraded equipment, at a total capital cost of \$778,995, is hereby GRANTED.

## Order

Robert D. Russo, M.D. & Associates Radiology, P.C. ("Applicant") is hereby authorized to replace its existing CT Scanner equipment with new upgraded equipment, at a total capital cost of \$778,995, subject to the following conditions:

1. This authorization shall expire on April 29, 2003. Should the Applicant's equipment 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 \$778,995. 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 29, 2002  
Date

Signed by:  
Raymond J. Gorman  
Commissioner

RJG/SEC