



## Office Of Health Care Access Certificate of Need Application

### Final Decision

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

**Docket Number:** 02-556

**Project Title:** Replacement of Three CT Scanners located in Bridgeport, Fairfield and Stratford Offices

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

**Filing Date:** January 16, 2003

**Hearing:** Waived

**Decision Date:** February 14, 2003

**Default Date:** April 16, 2003

**Staff Assigned:** Harold M. Oberg  
Steven Lazarus

**Project Description:** Robert D. Russo, M.D. & Associates Radiology, P.C. (“Applicant”) proposes to replace three existing CT scanners that are located at its physician practice offices in Bridgeport, Fairfield and Stratford with new upgraded CT scanning equipment, at a total capital cost of \$2,211,985.

**Nature of Proceedings:** On January 16, 2003, 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 three existing CT scanners that are located at its physician practice offices in Bridgeport, Fairfield and Stratford with new upgraded CT scanning equipment, at a total capital cost of \$2,211,985. 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 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 January 27, 2003, 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 *Connecticut Post*. OHCA received no comments from the public concerning the Applicant's request for waiver of hearing during the public comment period, and therefore on February 14, 2003, OHCA granted the Applicant's request for waiver of hearing.

OHCA's authority to review and approve, modify or deny the CON application 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**

*Each finding of fact included in this Final Decision has been taken from the CON application and related CON filings, or from other external sources of information. A source reference is included with each finding of fact. All CON applicants must attest to the accuracy and correctness of the information submitted to OHCA as part of the CON application process.*

### **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 various physician practice offices including locations in Bridgeport, Fairfield and Stratford. *(November 14, 2002, CON Application, Page 3)*
2. The Applicant proposes to replace three existing Picker IQ CT scanners with three new state-of-the-art Philips MX 8000D CT scanners at its offices located at 2660 Main Street in Bridgeport, 1261 Post Road in Fairfield and 2909 Main Street in Stratford, at a total capital cost of \$2,211,985. *(November 14, 2002 CON Application, Pages 2 and 7)*
3. The Applicant's three existing Picker IQ CT scanners have outlived their usefulness and are ready to be replaced. Certificates of Need were not required at the time of their purchase because each of the three units was purchased and installed for less than \$400,000. *(September 12, 2002 Letter of Intent, Project Description)*
4. The proposed three new Philips MX 8000D CT scanners are high-speed, dual-slice, CT scanners that offer faster scan times, higher image resolutions and the capability of performing additional CT scanning studies including vascular, high-resolution chest, reconstruction and multiple joints studies. *(September 12, 2002 Letter of Intent, Project Description and November 14, 2002 CON Application, Page 2)*

5. Currently, there are six to eight day scheduling backlogs at the Applicant's Bridgeport, Fairfield and Stratford offices. *(November 14, 2002 CON Application, Page 2)*
6. The Applicant's actual CT scan utilization volume at its Bridgeport, Fairfield and Stratford offices is as follows: *(November 14, 2002 CON Application, Page 2)*

**Table 1: Applicant's Actual CT Scans at Bridgeport, Fairfield and Stratford Offices**

Description	FY 2000	FY 2001	FY 2002
Bridgeport Office's Actual CT Scans	2,396	2,542	2,633
Fairfield Office's Actual CT Scans	2,371	2,418	2,486
Stratford Office's Actual CT Scans	1,982	2,151	2,329
<b>Total Actual CT Scans at Three Offices</b>	<b>6,749</b>	<b>7,111</b>	<b>7,448</b>

7. The Applicant's projected CT scan utilization volume at its Bridgeport, Fairfield and Stratford offices associated with the CON proposal is as follows: *(January 16, 2003 Completeness Responses, Page 1)*

**Table 2: Applicant's Projected CT Scans at Bridgeport, Fairfield and Stratford Offices**

Description	FY 2003	FY 2004	FY 2005
Bridgeport Office's Projected CT Scans	2,633	3,258	4,008
Fairfield Office's Projected CT Scans	2,961	3,687	3,876
Stratford Office's Projected CT Scans	2,552	3,228	3,732
<b>Total Projected CT Scans at Three Offices</b>	<b>8,146</b>	<b>10,173</b>	<b>11,616</b>

8. The Applicant projects 674, 1,365 and 1,365 total incremental CT scans for FY 2003, FY 2004 and FY 2005, respectively at its Bridgeport, Fairfield and Stratford offices as a result of the CON proposal. *(January 31, 2003 Supplemental Completeness Responses, Page 1)*
9. The Applicant's three diagnostic imaging centers in Bridgeport, Fairfield and Stratford operate on Monday through Friday from 8:30 a.m. to 5:00 p.m. and Saturday from 8:00 a.m. to 12:00 p.m. *(November 14, 2002 CON Application, Page 2)*

**Financial Feasibility and Cost Effectiveness of the Proposal and its Impact on the Applicant's Rates and Financial Condition  
Impact of the Proposal on the Interests of Consumers of Health Care Services and the Payers for Such Services**

10. The Applicant's CON proposal includes the following capital cost components: *(November 14, 2002 CON Application, Page 7)*

**Table 3: Applicant's Total Proposed Capital Cost**

Description	Amount
Construction/Renovations	\$ 100,000
<b>Total Capital Expenditure</b>	<b>\$ 100,000</b>
Three CT Scanners (Lease)	\$ 2,111,985
<b>Total Capital Cost</b>	<b>\$ 2,211,985</b>

11. The CON proposal's total capital cost of \$2,211,985 will be financed with an equity contribution of \$100,000 from the Applicant's operating funds and through equipment lease financing totaling \$2,111,985, which represents the total fair market value of the three new Philips MX 8000D CT scanners to be leased through three separate equipment lease agreements. *(January 16, 2003 Completeness Responses, Pages 2 and 10)*
12. The Applicant's proposed equipment lease agreements with Picker Financial Group L.L.C. include a term of five years, a 5.199% interest rate and sixty lease payments of \$13,292 per month for each CT scanner to be leased. *(November 14, 2002 CON Application, Page 8 and Exhibit 8, Pages 160 – 164 and January 16, 2003 Completeness Responses, Page 2)*
13. The Applicant projects incremental revenue from operations, total operating expense and revenue under expense associated with the CON proposal as follows: *(January 31, 2003 Supplemental Completeness Responses, Page 1)*

**Table 4: Applicant's Incremental Financial Projections for FY 2003, FY 2004 and FY 2005**

Description	FY 2003	FY 2004	FY 2005
Incremental Revenue from Operations	\$198,830	\$ 402,675	\$ 402,675
Incremental Total Operating Expense	286,813	538,141	715,764
<b>Incremental Revenue Over/(Under) Expense</b>	<b>\$(87,983)</b>	<b>\$(135,466)</b>	<b>\$(313,089)</b>

14. The Applicant projects total facility revenue from operations, total operating expense and revenue under expense associated with the CON proposal as follows: *(January 31, 2003 Supplemental Completeness Responses, Page 1)*

**Table 5: Applicant's Total Facility Financial Projections for FY 2003, FY 2004 and FY 2005**

Description	FY 2003	FY 2004	FY 2005
Revenue from Operations with the Proposal	\$23,616,191	\$24,405,470	\$25,005,540
Total Operating Expense with the Proposal	23,768,820	24,724,608	25,627,825
<b>Revenue Over/(Under) Expense with the Proposal</b>	<b>\$ (152,629)</b>	<b>\$ (319,138)</b>	<b>\$ (622,285)</b>

15. After implementation of the CON proposal, the Applicant's CT scan rates will remain the same as its current rates for CT scans. Projected incremental revenue from operations is less than projected incremental total operating expense for each year because only the projected incremental number of CT scans will support the incremental costs of acquisition, installation and operation associated with the CON proposal. *(January 16, 2003 Completeness Responses, Pages 3 and 11)*
16. The Applicant anticipates that the first replacement CT scanner will be installed at the Fairfield office by April 1, 2003, the second CT scanner will be installed at the Stratford office by September 1, 2003, and the third replacement CT scanner will be installed at the Bridgeport office by January 1, 2004. *(January 16, 2003 Completeness Responses, Page 11)*

17. The Applicant's projected payer mix during the first three years of operation of the three new replacement CT scanners is as follows: *(November 14, 2002 CON Application, Page 9)*

**Table 6: Applicant's Three-Year Projected Payer Mix**

<b>Payer Mix</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
Medicare	23%	23%	23%
Medicaid	0%	0%	0%
TriCare	0%	0%	0%
<b>Total Government</b>	<b>23%</b>	<b>23%</b>	<b>23%</b>
Commercial Insurers	63%	63%	63%
Self-Pay	9%	9%	9%
Workers Compensation	3%	3%	3%
<b>Total Non-Government</b>	<b>75%</b>	<b>75%</b>	<b>75%</b>
Uncompensated Care	2%	2%	2%
<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. *(November 14, 2002 CON Application, Page 2)*
19. The Applicant has adduced evidence that the proposal is consistent with the Applicant's long-range plan. *(November 14, 2002 CON Application, Page 2)*
20. The Applicant indicates that the proposal will affect its teaching responsibilities by being additive to the caseload of radiological procedures available to the radiology residents at St. Vincent's Medical Center. *(November 14, 2002 CON Application, Page 5)*
21. There are no distinguishing or unique characteristics of the Applicant's patient/physician mix related to the proposal. *(November 14, 2002 CON Application, Page 5)*
22. The Applicant has implemented various activities to improve productivity and contain costs that involve energy conservation, reengineering, group purchasing and the application of technology. *(November 14, 2002 CON Application, Page 5)*
23. The Applicant has sufficient technical, financial and managerial competence and expertise to provide efficient and adequate service to the public. *(November 14, 2002 CON Application, Exhibit 2, Pages 49 - 121)*

## Rationale

Robert D. Russo, M.D. & Associates Radiology, P.C. ("Applicant") proposes to replace three existing Picker IQ CT scanners currently operating at its offices located at 2660 Main Street in Bridgeport, 1261 Post Road in Fairfield and 2909 Main Street in Stratford with new upgraded CT scanning equipment, at a total capital cost of \$2,211,985. The Applicant proposes to lease and operate three new Phillips MX 8000D CT scanners, which would represent a significant upgrade from the quality and capability of the three CT scanners currently operated by the Applicant at these office locations.

The proposed replacement of the Applicant's three existing CT scanners with three new high-speed, dual-slice CT scanners will enable the Applicant to utilize new state-of-the-art technology in providing CT scanning services to patients, which will result in faster scan times, higher image resolutions and the capability of performing new additional CT scanning studies including vascular, high-resolution chest, reconstruction and multiple joint studies. Therefore, OHCA finds that the CON proposal will improve both the quality and accessibility of the Applicant's current CT scanning services.

The CON proposal's total capital cost of \$2,211,985 will be funded by an equity contribution of \$100,000 from the Applicant's operating funds and from equipment lease financing totaling \$2,111,985, which represents the total fair market value of the three new Philips MX 8000D CT scanners to be leased. The Applicant projects 674, 1,365 and 1,365 incremental CT scans for FY 2003, FY 2004 and FY 2005, respectively in total for its Bridgeport, Fairfield and Stratford offices as a result of the CON proposal. The Applicant also projects incremental revenue under expense of \$(87,983), \$(135,466) and \$(313,089) for FY 2003, FY 2004 and FY 2005, respectively due to the CON proposal.

After implementation of the CON proposal, the Applicant intends to charge the same rates for CT scans that it currently charges. The projected incremental revenue under expense amounts for the three years projected result from the incremental costs of acquisition, installation and operation associated with the CON proposal being supported by only the number of incremental CT scans. The projected amounts for incremental revenue under expense are not significant when compared with the Applicant's total facility net revenue for each year projected. The Applicant's volume projections and the financial projections upon which they are based appear to be reasonable and justifiable, if the Applicant will charge the same rates for CT scans that it currently charges. Therefore, OHCA finds that the CON proposal is both 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 three existing CT scanners at its offices located at 2660 Main Street in Bridgeport, 1261 Post Road in Fairfield and 2909 Main Street in Stratford with new upgraded CT scanning equipment, at a total capital cost of \$2,211,985, is hereby GRANTED.

## **Order**

Robert D. Russo, M.D. & Associates Radiology, P.C. ("Applicant") is hereby authorized to replace three existing CT scanners at its offices located at 2660 Main Street in Bridgeport, 1261 Post Road in Fairfield and 2909 Main Street in Stratford with new upgraded CT scanning equipment, at a total capital cost of \$2,211,985, subject to the following conditions:

1. This authorization shall expire on February 28, 2005. Should the Applicant's CT scanning 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 \$2,211,985. 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 CON project budget.
3. This authorization requires the removal of the Applicant's three existing Picker IQ CT scanners for certain disposition, such as sale or salvage, outside of and unrelated to the Applicant's Bridgeport, Fairfield and Stratford offices or any other affiliated office practice locations. Furthermore, the Applicant will provide evidence to OHCA of the disposition of each of its three existing Picker IQ CT scanners by no later than six months after each of the three new replacement CT scanners has become operational.

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

Date signed:  
February 14, 2003

Signed by:  
Mary M. Heffernan  
Commissioner

MMH:ho

**Table Descriptions**

**Robert D. Russo, M.D. & Associates Radiology, P.C.  
Replacement of Three CT Scanners located in Bridgeport, Fairfield and Stratford  
CON Final Decision, Docket Number 02-556**

**Table 1**

**Title: Applicant's Actual CT Scans at its Bridgeport, Fairfield and Stratford Offices**

The Applicant's actual number of CT scans at its Bridgeport office was 2,396 in FY 2000, 2,542 in FY 2001 and 2,633 in FY 2002. The Applicant's actual number of CT scans at its Fairfield office was 2,371 in FY 2000, 2,418 in FY 2001 and 2,486 in FY 2002. The Applicant's actual number of CT scans at its Stratford office was 1,982 in FY 2000, 2,151 in FY 2001 and 2,329 in FY 2002. The Applicant's total combined actual number of CT scans for its three office locations in Bridgeport, Fairfield and Stratford was 6,749 in FY 2000, 7,111 in FY 2001 and 7,448 in FY 2002.

**Table 2**

**Title: Applicant's Projected CT Scans at its Bridgeport, Fairfield and Stratford Offices**

The Applicant's projected number of CT scans at its Bridgeport office is 2,633 in FY 2003, 3,258 in FY 2004 and 4,008 in FY 2005. The Applicant's projected number of CT scans at its Fairfield office is 2,961 in FY 2003, 3,687 in FY 2004 and 3,876 in FY 2005. The Applicant's projected number of CT scans at its Stratford office is 2,552 in FY 2003, 3,228 in FY 2004 and 3,732 in FY 2005. The Applicant's total combined projected number of CT scans for its three office locations in Bridgeport, Fairfield and Stratford is 8,146 in FY 2003, 10,173 in FY 2004 and 11,616 in FY 2005.

**Table 3**

**Title: Applicant's Total Proposed Capital Cost**

The total capital cost for the proposal is \$2,211,985 and includes \$2,111,985 for the leasing of the three new replacement CT scanners through three separate equipment lease agreements and \$100,000 for associated construction and renovation costs.

**Table 4**

**Title: Applicant's Incremental Financial Projections for FY 2003, FY 2004 and FY 2005**

Projected incremental revenue from operations for the proposal is \$198,830 in FY 2003, \$402,675 in FY 2004 and \$405,675 in FY 2005. Projected incremental total operating expense for the proposal is \$286,813 in FY 2003, \$538,141 in FY 2004 and \$715,764 in FY 2005. Projected incremental revenue under expense for the proposal is \$(87,983) in FY 2003, \$(135,466) in FY 2004 and \$(313,089) in FY 2005.



**Table 5**

Title: Applicant's Total Facility Financial Projections for FY 2003, FY 2004 and FY 2005  
Protected total facility revenue from operations with the proposal is \$23,616,191 in FY 2003, \$24,405,470 in FY 2004 and \$25,005,540 in FY 2005. Projected total facility total operating expense with the proposal is \$23,768,820 in FY 2003, \$24,724,608 in FY 2004 and \$25,627,825 in FY 2005. Projected total facility revenue under expense with the proposal is \$(152,629) in FY 2003, \$(319,138) in FY 2004 and \$(622,285) in FY 2005.

**Table 6**

Title: Applicant's Three-Year Projected Payer Mix

The projected payer mix remains constant in each category for the first three years of implementation and operation of the three new replacement CT scanners. Total Government reimbursement is projected to account for 23% of total reimbursement with Medicare at 23%, Medicaid at 0% and TriCare at 0%. Total Non-Government reimbursement is projected to account for 75% of total reimbursement with Commercial Insurers at 63%, Self-Pay Patients at 9% and Workers Compensation at 3%. Uncompensated Care is projected to be 2% of total reimbursement.