



Office Of Health Care Access Certificate of Need Application

Final Decision

Applicants: Open MRI of Southern Connecticut, LLC d/b/a University Standing Open MRI and University Standing Open MRI of New Haven, LLC

Docket Number: 03-30048-CON

Project Title: Change of Ownership

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

Filing Date: August 12, 2003

Decision Date: September 11, 2003

Default Date: November 10, 2003

Staff Assigned: Laurie Greci

Project Description: Open MRI of Southern Connecticut, LLC d/b/a University Standing Open MRI and University Standing Open MRI of New Haven, LLC propose to transfer the ownership of the diagnostic imaging center located at 2 Church Street, New Haven, Connecticut to University Standing Open MRI of New Haven, LLC at an associated capital expenditure of \$20,000, plus \$1,500,000, the fair market value of equipment, for a total capital cost of \$1,520,000.

Nature of Proceedings: On August 12, 2003, the Office of Health Care Access (“OHCA”) received a Certificate of Need (“CON”) application from Open MRI of Southern Connecticut, LLC, d/b/a University Standing Open MRI and University Standing Open MRI of New Haven, LLC (“Applicants”) to transfer the ownership of Open MRI of Southern Connecticut, LLC to University Standing Open MRI of New Haven, LLC at an associated capital expenditure of \$20,000, plus \$1,500,000, the fair market value of

equipment, for a total capital cost of \$1,520,000. The Applicants are health care facilities or institutions as defined by Section 19a-630 of the Connecticut General Statutes (“C.G.S.”)

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 proposal was non-substantive as defined in Section 19a-643-95(3) of OHCA’s Regulations. The *New Haven Register* published a Notice to the Public on August 22, 2003. OHCA received no comments concerning the Hospital’s request for waiver of public hearing during the public comment period. Therefore, on September 5, 2003, OHCA granted the Hospital’s request for waiver of the public 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 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

1. Open MRI of Southern Connecticut, LLC, d/b/a University Standing Open MRI (“USOM”) owns and operates a magnetic resonance diagnostic imaging center (“Center”) located at 2 Church Street, New Haven, Connecticut. (*March 31, 2003, Docket 02-1003 Final Decision, page 21*)
2. On March 31, 2003, USOM received a Certificate of Need for the replacement of its existing MRI equipment with a Fonar Indomitable™ Stand-Up MRI, a whole-body open MRI system with a 0.6 Tesla field strength. The fair market value of the MRI equipment is \$1,500,000. (*March 31, 2003, Docket 02-1003 Final Decision, page 8*)
3. University Standing Open MRI of New Haven, LLC, (“USOMNH”) filed its Articles of Organization as a domestic limited liability company with the Secretary of the State of Connecticut on April 8, 2003. Scott H. Faro, M.D. is the single member of USOMNH and has 100% ownership of the company. (*July 31, 2003, CON Application, page 19 and August 12, 2003, Supplemental Submission*)
4. Frank Gambardella is the President of Open MRI of Southern Connecticut, LLC, and Ellen Seigle is its Secretary; each owns 50% of the company. Mr. Gambardella, as President, had the full authority to sign the agreement to transfer ownership of USOM to USOMNH. (*August 12, 2003, Completeness Response*)
5. Open MRI of Southern Connecticut, LLC, received \$20,000 from USOMNH as consideration for the transfer of ownership of USOM. (*August 12, 2003, Completeness Response*)

6. USOMNH is responsible for the lease financing of the new MRI scanner. *(July 31, 2003, CON Application, page 8)*
7. Frank Gambardella entered into an agreement memorandum with Scott Faro, M.D. , President and Chief Executive Officer of USOMNH on July 15, 2003. The agreement memorandum transfers ownership of the diagnostic imaging center from USOM to USOMNH. It also states that the memorandum was agreed upon and fully approved by the Board of Directors of each company, i.e., Mr. Gambardella, Ellen Seigle and Dr. Faro. *(July 31, 2003, CON Application, page 15)*
8. USOMNH will operate the diagnostic imaging center in the same space and as the same business as USOM. *(July 31, 2003, CON Application, page 1)*
9. Mr. Gambardella will remain with USOMNH as the Center's regional manager. *(July 31, 2003, CON Application, page 12)*
10. Professional radiology services will continue to be provided by three radiologists from Diagnostic Imaging of Milford, P.C.: Drs. Paul Davis, Adrienne Ferracci, and Vito Errico, M.D. *(July 31, 2003, CON Application, page 12)*
11. USOMNH will be the sole company operating the Center and owning the equipment. *(July 31, 2003, CON Application, page 13)*
12. USOMNH will be the company billing for services and will apply for a Medicare provider number. *(July 31, 2003, CON Application, page 14)*
13. Towns in the south central Connecticut area are included in the Applicant's service area. These towns are New Haven, West Haven, East Haven, Milford, Stratford, Fairfield, Bridgeport, Derby, Shelton, Ansonia, Seymour, Hamden, Naugatuck, Waterbury, Meriden, Middletown, Oxford, Beacon Falls, Cheshire, Wallingford, Branford, North Branford, Guilford, Clinton, Madison, Killingworth, Westbrook, Durham, Middlebury, and Southbury. *(May 5, 2003, Letter of Intent)*
14. The Applicant has stated that it will follow the practice guidelines of the American College of Radiology ("ACR") for MRI imaging and fulfill the ACR requirements for accreditation. *(July 31, 2003, CON Application, page 3)*

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

15. USOMNH projects the same incremental revenue from operations, operating expenses, and earnings from operations as were presented in Docket 02-1003 authorizing the purchase of the MRI unit. The projects are presented in the following table:

Table 1: Incremental Revenue, Operating Expenses, and Earnings for the First Three Years of Operations

Description	FY 2003	FY 2004	FY 2005
Incremental Revenue from Operations	\$1,393,000	\$1,533,000	\$1,672,000
Incremental Operating Expenses	1,023,000	1,060,000	1,097,000
Incremental Earnings from Operations	\$370,000	\$473,000	\$575,000

(July 31, 2003, CON Application, page 11)

16. The current and projected payer mix for the first three years of operation of the Center with the proposal are the same as the projects given in Docket 02-1003. The projections are given in the table below:

Table 2: Current and Project Payer Mix for the First Three Years of Operation

Payer Source	Current	Year 1	Year 2	Year 3
Medicare/Medicaid	10	15	15	20
Commercial Insurers	60	50	45	35
Self-Pay	0	0	0	0
Workers Compensation	30	35	40	45
Uncompensated Care	0	0	0	0
Total Payer Mix	100%	100%	100%	100%

(July 31, 2003, CON Application, page 9)

17. The Applicant's proposal includes rates for MRI services that are sufficient to cover the proposed capital expenditure, projected operating expenses, and administrative costs. *(July 31, 2003, CON Application, page 11)*

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. *(July 31, 2003, CON Application, page 2)*
19. The Applicant's proposal is consistent with its long-range plan. *(July 31, 2003, CON Application, page 2)*

20. The Applicant's proposal will not result in a change to its current teaching or research responsibilities. *(July 31, 2003, CON Application, page 5)*
21. The technology of the Fonar Indomitable™ Stand-Up MRI will enable patients to be scanned in a standing, sitting or prone position. In addition, claustrophobic and large patients living in the service area will have access to a high tesla, yet open, MRI unit. *(July 31, 2003, CON Application, page 13)*
22. The use of the stand-up MRI unit will improve the Center's productivity by shortening the patients' examination times. The use of teleradiology will improve the speed and efficiency of the MRI interpretation. *(July 31, 2003, CON Application, page 13)*
23. USOMNH has sufficient technical and managerial competence to provide efficient and adequate service to the public. *(July 31, 2003, CON application, page 12)*
24. There will be no affect on the quality of health care delivery in the region as USOMNH will still pursue certification by the ACR for MRI imaging *(July 31, 2003, CON Application, page 3)*

Rationale

Open MRI of Southern Connecticut, LLC, d/b/a University Standing Open MRI, proposes to transfer its ownership and operation of a diagnostic imaging center ("Center") located at 2 Church Street, New Haven, Connecticut to University Standing Open MRI of New Haven, LLC ("USOMNH"). The total capital expenditure associated with this proposal is \$20,000, plus \$1,500,000, the fair market value of equipment, for a total capital cost of \$1,520,000.

Open MRI of Southern Connecticut, LLC has entered into an agreement with Scott Faro, M.D., the sole member of USOMNH, to transfer the ownership and operation of the Center USOMNH will own the diagnostic imaging center ("Center"), provide funding for, and operate, a new Fonar Indomitable™ Standing Open MRI scanner that was authorized under Docket 02-1003. USOMNH will continue to operate the Center in the Church Street location. Professional radiology services will be provided by the same radiologists. In addition, Mr. Gambardella, the President of Open MRI of Southern Connecticut, LLC will stay on as the Center's regional manager.

The transfer of ownership will allow University Standing Open MRI of New Haven, LLC to obtain the Medicare billing number under its name and to discontinue the use of a long and confusing "doing business as" name. The CON proposal's total capital expenditure is \$20,000. The Center's projected incremental earnings from operations of \$370,000, \$473,000 and \$575,000 for the Fiscal Years 2003, 2004, and 2005, respectively. These projections appear 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 Open MRI of Southern Connecticut, LLC, d/b/a University Standing Open MRI to transfer ownership of the diagnostic imaging center located at 2 Church Street, New Haven, Connecticut to University Standing Open MRI of New Haven, LLC at a total capital expenditure of \$20,000, plus \$1,500,000, the fair market value of equipment, for a total capital cost of \$1,520,000 is hereby **GRANTED**.

Order

Open MRI of Southern Connecticut, LLC, d/b/a University Standing Open MRI is hereby authorized to transfer ownership of the diagnostic imaging center, located at 2 Church Street, New Haven, Connecticut, to University Standing Open MRI of New Haven, LLC at a total capital expenditure of \$20,000, plus \$1,500,000, the fair market value of equipment, for a total capital cost of \$1,520,000 and subject to the following conditions:

1. This authorization shall expire on September 11, 2004. Should the transfer of ownership not be completed by that date, the Applicants must seek further approval from OHCA to complete the project beyond that date.
2. Any physician engaged by University Standing Open MRI of New Haven, LLC to provide professional services in relation to the diagnostic imaging service must have obtained a license from the State of Connecticut to provide such services.

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:
September 11, 2003

Signed by:
Mary M. Heffernan
Commissioner

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