



## Office of Health Care Access Certificate of Need Application

### Final Decision

**Hospital:** Eastern Connecticut Health Network, Inc. and Eastern Connecticut Imaging, P.C.

**Docket Number:** 03-30172-CON

**Project Title:** Establish Radiology Services at the ECHN Medical Office Building at Evergreen Walk in South Windsor

**Statutory Reference:** Sections 19a-638 and 19a-639, Connecticut General Statutes

**Filing Date:** December 12, 2003

**Hearing Dates:** February 10, 2004  
February 17, 2004

**Presiding Officer:** Cristine A. Vogel, Commissioner

**Decision Date:** March 2, 2004

**Default Date:** March 11, 2004

**Staff:** Steven Lazarus  
Paolo Fiducia

**Project Description:** Eastern Connecticut Health Network and Manchester Hospital (“ECHN”) and Eastern Connecticut Imaging, P.C. (“ECI”) (jointly referred to as “Applicants”) proposes to jointly establish Radiology Services at the ECHN Medical Office Building at Evergreen Walk in South Windsor, at a total proposed capital expenditure of \$3,118,325.

**Nature of Proceedings:** On December 12, 2003, the Office of Health Care Access (“OHCA”) received the Applicants’ Certificate of Need (“CON”) application seeking authorization to jointly establish Radiology Services at the ECHN Medical Office Building at Evergreen Walk in South Windsor at a total proposed capital expenditure of \$3,118,325. ECI is a private physician practice and ECHN is the parent corporation of Manchester Memorial Hospital, which is a health care facility or institution as defined by Section 19a-630 of the Connecticut General Statutes (“C.G.S.”).

Notice to the public was published in *The Journal Inquirer* (Manchester) on December 16, 2003, pursuant to Section 19a-643-45 of OHCA’s Regulations. On January 5, 2004, OHCA received a letter from Mandell & Blau, M.D.’s, P.C. requesting a public hearing regarding this proposal pursuant 19a-638 (c)(3) and 19a-639(b)(3) as amended by Public Act 03-17. A public hearing regarding the CON application was held on February 10, 2004 and February 17, 2004. The Applicant was notified of the date, time and place of the hearing, and a notice to the public was published in the *Journal Inquirer* (Manchester). Commissioner Cristine A. Vogel served as Presiding Officer for this case. The public hearing was conducted as a contested case in accordance with the provisions of the Uniform Administrative Procedure Act (Chapter 54 of the Connecticut General Statutes) and Sections 19a-38 and 19a-639, C.G.S.

Mandell & Blau, M.D.’s, P.C. petitioned for party status, or in the alternative intervenor status with the right to cross-examine witnesses for the Applicants. Mandell & Blau, M.D.’s, P.C. was granted intervenor status with limited rights of participation by the Presiding Officer.

The Presiding Officer heard testimony from the Applicants’ and the Intervenor’s witnesses and in rendering this decision, considered the entire record of the proceeding. OHCA’s authority to review and approve, modify or deny this application is established by Sections 19a-638 and 19a-639, C.G.S. The provisions of these sections, 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 on the Hospital's Current Utilization Statistics Contribution of the Proposal to the Accessibility and Quality of Health Care Delivery in the Region**

1. Eastern Connecticut Health Network ("ECHN ") is the parent corporation of Manchester Memorial Hospital ("MMH") and Rockville General Hospital ("RGH"). *(August 27, 2003, Letter of Intent)*
2. Manchester Memorial Hospital is a 283 bed acute care hospital located at 71 Haynes Street, Manchester, Connecticut. *(August 27, 2003, Letter Of Intent)*
3. Eastern Connecticut Imaging, P.C. ("ECI"), formerly known as Manchester Radiologists, Inc. is a private radiology practice currently located at 353 Main Street, Manchester, Connecticut. *(December 12, 2003, CON Application page 1)*
4. The Applicants propose to enter into a joint venture to establish radiology services at the ECHN Medical Office Building at Evergreen Walk in South Windsor. *(December 12, 2003, CON Application, page 1)*
5. MMH will lease space in the building developed by CASLE Corporation to provide a variety of ambulatory services to the community, including primary care, urgent care, laboratory, rehabilitation, behavioral health and radiology services. *(December 12, 2003, CON Application, page 1)*
6. The owners of ECI intend to form a separate LLC that will be the joint venture partner with ECHN for the proposed radiology services. ECI will relocate its practice to the ECHN medical building. *(February 3, 2004, Eastern Connecticut Health Network, Inc. and Eastern Connecticut Imaging, P.C.'s Prefiled Testimony)*
7. The Applicants will offer mammography, ultrasound and diagnostic radiology services at the proposed site. *(December 12, 2003, CON Application, page 1)*
8. The Applicants' initial proposal was to acquire a multi-slice CT scanner and a 1.0 Tesla MRI unit. The Applicants subsequently modified the request by requesting a 1.5 Tesla Magnetom Symphony-Maestro Class MRI unit. The cost of the proposed 1.5 Tesla MRI unit remains the same as the original 1.0 Tesla MRI unit and therefore it does not effect the requested capital expenditure *(December 12, 2003, Letter of Intent and Public Hearing held February 10, 2004 and Applicant Late-File Exhibit 1)*

9. The geographical service areas for ECHN and ECI for the proposed radiology service are as follows:

**Table 1: Service Areas**

ECHN's Service Area		ECI's Service Area		Proposal's Service Area	
Ellington	Tolland	Andover	Ashford	South Windsor	Ellington
South Windsor	Vernon	Bolton	East Hartford	East Windsor	Vernon
East Hartford	Manchester	East Windsor	Ellington	East Hartford	Manchester
Bolton	Somers	Glastonbury	Hebron		
East Windsor	Stafford	Manchester	Mansfield		
Union	Willington	Somers	South		
Ashford	Coventry	Stafford	Windsor		
Mansfield	Andover	Union	Tolland		
Columbia	Glastonbury	Willington	Vernon		
Hebron					

*(August 27, 2003, Letter Of Intent, December 12, 2003, CON Application, pages 18 and 120)*

10. ECHN's needs assessment for the proposal included a market feasibility study conducted in the summer and early fall of 2001. The study contained the following findings:

- a. A need exists in South Windsor and surrounding communities for an ECHN sponsored health center.
- b. Residents of South Windsor and the surrounding communities would be far more likely to use the health center if they could continue to see their existing primary care providers at that location.

*(December 12, 2003, CON Application, page 17)*

11. Twenty four of ECHN's existing primary care physicians have agreed to move their practice to the ECHN Medical Office Building at Evergreen Walk. In addition, supporting services including radiology services are planned for the Evergreen Walk site, in order to create the "one-stop shopping" experience. *(December 12, 2003, CON Application, page 17)*

12. ECHN's CT and MRI, volumes for FY's 2001-2003 are as follows:

**Table 2: ECHN CT and MRI Volume (by Hospital), FY 2001-2003**

	FY 2001	FY 2002	FY 2003
<b>CT Scans</b>	MMH 8,130	MMH 9,465	MMH 11,059
	RGH 4,034	RGH 4,289	RGH 4,935
	Total 12,164	Total 13,754	Total 15,994
<b>MRI Studies</b>	MMH 3,146	MMH 3,315	MMH 3,776
	RGH 1,343	RGH 1,447	RGH 1,328
	Total 4,489	Total 4,762	Total 5,104

Note: Outpatient Exams only

*(December 12, 2003, CON Application, page 18)*

13. ECI's volumes for X-Ray, Mammography and Ultrasound are follows:

**Table 3: ECI's FY 2001-2003 Radiology Volumes**

	<b>FY 2001</b>	<b>FY 2002</b>	<b>FY 2003*</b>
X-Ray	4,369	3,614	3,741
Mammography	3,556	3,594	3,556
Ultrasound	949	913	999

\*Projected

(December 12, 2003, CON Application, page 18)

14. The volume projections for the proposed project are as follows:

**Table 4: Projected Volumes**

	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>
CT	2,600	2,730	2,867	3,010
MRI	2,080	2,184	2,293	2,408

(December 12, 2003, CON Application, page 18)

15. The Applicants projected a base volume for each modality for the first full year and then increased it by 5% per year to adjust for the anticipated growth. The following assumptions were used in the development of the projections:

- a. Input from the Administrative Director of the service, the Medical Director and Modality Supervisors.
- b. The proposal's volume projection of 2,080 MRI scans in year one represents a 22% market share.
- c. The proposal's volume projection of 2,600 CT scans represents a 13.6% market share.

(December 12, 2003, CON Application, pages 19-20)

16. The proposed state-of-the-art equipment will enable the Applicants to address the following concerns:

- a. Scheduling backlogs at ECHN for MRI service ranges from 1 to 3 weeks.
- b. Scheduling backlogs at ECHN for CT service ranges from 2-3 days.
- c. Currently the ECHN operates a single slice CT scanner and that limits the clinical applications that can be performed. The proposed CT scanner will have multi-slice capabilities. This will enable the Applicants to perform neurology, oncology and orthopedic scans and will reduce the need for existing patients to travel to Hartford for these types of services.
- d. Currently, ECI's scheduling backlog for general x-ray, fluoroscopy, mammography and ultrasound is 2-3 days.

(December 12, 2003, CON Application, pages 21)

17. The proposed hours of operation will be 8:30 a.m. to 5:00 p.m. Monday through Friday. (December 12, 2003, CON Application, page 21)

18. Dennis P. McConville, Vice-President, Strategic and Operational Planning, ECHN testified,

The proposed joint venture will help the Applicants pool their clinical and financial resources, as well as expertise, which will lend to the provision of a broader range of services, the acquisition of more advanced, state of the art technology, and the highest quality of care.

The proposed site is conveniently located near twenty four ECHN affiliated physicians, providing support services to those practices and their patients; The proposed service will be available and accessible to residents of nearby senior housing;

The proposed service helps ECHN further its mission of providing accessible health care services to the communities it serves, and shifts appropriate volumes out of the hospital setting, allowing for more timely treatment for inpatients.

*(February 3, 2004, Eastern Connecticut Health Network, Inc. and Eastern Connecticut Imaging, P.C.'s Prefiled Testimony)*

19. Dr. Edward G. Denstman, Vice President ECI, testified:

ECI has been serving local community patients for over 50 years, including providing service to patients and referring physician at several ECHN sites; ECI intends to move their current practice to the new proposed site, bringing with them a base of patients and services that will create the foundation for success.

*(February 3, 2004, Eastern Connecticut Health Network, Inc. and Eastern Connecticut Imaging, P.C.'s Prefiled Testimony)*

20. Dr. Jeffrey S. Blau, President, Mandell & Blau M.D.'s P.C., testified that the Intervenor expects a volume decrease of 25-30% at their South Windsor and Glastonbury offices if the proposal is approved. *(February 3, 2004, Prefield Testimony of Mandell & Blau M.D.'s P.C.'s Prefiled Testimony)*

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

21. The proposal includes the following cost components:

**Table 5: Total Proposed Capital Expenditure**

<b>Component</b>	<b>Cost</b>
Imaging Equipment (Purchase)	\$2,073,002
Medical Equipment (Purchase)	116,749
Non-Medical Equipment (Purchase)	184,554
Construction/Renovation	408,000
Other (Sales Tax)	166,938
Capitalized Financing Cost	169,082
<b>Total Capital Expenditure with Cap. Fin. Costs</b>	<b>\$3,118,325</b>

*(December 12, 2003, CON Application, page 8)*

22. The imaging and medical equipment has a useful life of 5 years. The non-medical equipment has a useful life of 7 years. *(December 12, 2003, CON Application, page 10)*
23. The Hospital will finance the proposal through a conventional loan and through the vendor financing for the major medical equipment only. *(December 12, 2003, CON Application, page 11)*
24. The Hospital projects incremental gains from operations related to the proposal of \$437,341 for FY 2005, \$371,904 for FY 2006, and \$348,962 for FY 2007. *(December 12, 2003, Proforma, page 163)*

### **Consideration of Other Section 19a-637, C.G.S. Principles and Guidelines**

The following findings are made based upon other principles and guidelines set forth in Section 19a-637, C.G.S.:

25. There is no State Health Plan in existence at this time. *(December 12, 2003, CON Application, page 2)*
26. The Applicants have adduced evidence that this proposal is consistent with the Hospital's long-range plan. *(December 12, 2003, CON Application, page 2)*
27. The Applicants have improved productivity and contained costs through group purchasing, energy conservation and the application of technology. *(December 12, 2003, CON Application, page 5)*
28. This proposal will not result in changes to the Applicants teaching and research responsibilities. *(December 12, 2003, CON Application, page 5)*
29. There are no distinguishing or unique characteristics of the Applicants' patient/physician mix related to this proposal. *(December 12, 2003, CON Application, page 2)*
30. The Applicants have sufficient technical and managerial competence to provide efficient and adequate service to the public. *(December 12, 2003, CON Application, page 4)*

## Rationale

Eastern Connecticut Health Network and Manchester Hospital (“ECHN”) and Eastern Connecticut Imaging, P.C. (“ECI”) (jointly referred to as “Applicants”) propose to establish Radiology Services at the ECHN Medical Office Building at Evergreen Walk in South Windsor, at a total proposed capital cost of \$3,118,325. ECHN is the parent corporation of Manchester Memorial Hospital (“MMH”), located at 71 Haynes Street, Manchester and Rockville General Hospital. ECI, formerly known as Manchester Radiologists, Inc. is a private radiology practice currently located at 533 Main Street. As part of the proposal, the owners of ECI will establish a separate LLC that will be the joint venture partner of ECHN for the proposed radiology services. Additionally, ECI will relocate its practice to the ECHN Medical Building.

The Applicants will offer mammography, ultrasound and diagnostic radiology services, including CT and MRI studies, at the proposed site. The Applicants’ initial proposal was to acquire a multi-slice CT scanner and a 1.0 Tesla MRI unit. The Applicants subsequently modified the request by requesting a 1.5 Tesla Magnetom Symphony-Maestro Class MRI unit. The cost of the proposed 1.5 Tesla MRI unit remains the same as the original 1.0 Tesla MRI unit and therefore, does not effect the requested capital expenditure.

The Applicants’ primary service area consists of South Windsor, East Windsor, East Hartford, Ellington, Vernon and Manchester. In determining the need for the proposal, ECHN conducted a market feasibility study during the summer and early fall of 2001. The study found that a need existed in South Windsor and the surrounding communities for an ECHN sponsored health center and that the residents of South Windsor and the surrounding communities would be far more likely to use the health center if they could continue to see their existing primary care providers at that location.

The Applicants developed their utilization projections for the proposed radiology service by developing a base volume for each modality for the first full year of operation and then inflating it by 5% per year to adjust for the anticipated growth. In developing the assumptions, the Applicants gathered input from the Administrative Director of the services, the Medical Director, and the Modality Supervisor. ECHN performed 12,164, 13,754 and 15,994 CT scans for FY’s 2001, 2002 and 2003 respectively. ECHN also performed 4,489, 4,762 and 5,104 MRI studies for FY’s 2001, 2002 and 2003, respectively. For the first four fiscal years of operation, the Applicants project 2,600, 2,730, 2,867 and 3,010 CT scans and 2,080, 2,184, 2,293 and 2,408 MRI studies. The proposal’s projected volume of 2,080 MRI scans in year one represents a 22% market share of the primary service area and the proposal’s projected volume of 2,600 CT scans represents a 13.6% market share. These projections appear to be reasonable in light of the fact that ECI is an existing practice that is relocating to South Windsor, bringing with it a base of patients and services. Additionally, the proposed site is conveniently located near twenty-four ECHN affiliated physicians and is also be available and accessible to the residents of nearby senior housing.



Although Dr. Jeffrey S. Blau testified that Mandell & Blau M.D.'s P.C., a private radiology practice, anticipates a volume decrease of 25-30% at its South Windsor and Glastonbury offices if the proposal is approved, OHCA believes that the Applicants have demonstrated that the majority of its proposed volume is from its existing network. Acquisition of the proposed state-of-the-art equipment will serve to enhance the quality of health care delivery provided by ECHN by due to reductions in patient throughput time, reductions in waiting times, which will allow for more timely treatment for inpatients at the Hospitals. It will further provide for improvement in the clinical quality of images and provision of support for more clinical specialties with diagnostic testing.

The proposal is financially feasible. The project has a total capital cost of \$3,118,325, which will be funded through a conventional loan and through vendor financing for the major medical equipment only. The Applicants are projecting gains from operations related to the proposal of \$437,341, \$371,904 and 348,962 for FY's 2005-2007. These projections appear to be both reasonable and achievable.

Based upon the foregoing Findings and Rationale, the Certificate of Need application of Eastern Connecticut Health Network and Manchester Hospital and Eastern Connecticut Imaging, P.C., to establish radiology services at the ECHN Medical Office Building at Evergreen Walk in South Windsor, at a total proposed capital expenditure of \$3,118,325, is hereby GRANTED.

## Order

Eastern Connecticut Health Network and Manchester Hospital (“ECHN”) and Eastern Connecticut Imaging, P.C. (“ECI”) (jointly referred to as “Applicants”) are hereby authorized to establish radiology services at the ECHN Medical Office Building at Evergreen Walk in South Windsor, at a total proposed capital expenditure of \$3,118,325, subject to the following conditions:

1. This authorization shall expire on March 2, 2005. Should the Applicants’ project not be completed by that date, the Applicants must seek further approval from OHCA to complete the project beyond that date.
2. The Applicants shall not exceed the approved capital cost of \$3,118,325. In the event that the Applicants learn of potential cost increases or expect that final project costs will exceed those approved, the Applicants 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

Date:

Signed by:

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Cristine A. Vogel  
Commissioner

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