



Office of Health Care Access Certificate of Need Application

Final Decision

Applicant: Alliance Imaging, Inc. and Day Kimball Hospital

Docket Number: 03-30173-CON

Project Title: Establish a Mobile Positron Emission Tomography (“PET”) Scanning Service at Day Kimball Hospital

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

Filing Date: December 16, 2003

Hearing: Waived

Decision Date: January 7, 2004

Default Date: March 15, 2004

Staff: Laurie Greci

Project Description: Alliance Imaging, Inc. and Day Kimball Hospital (“Applicants”) propose to establish a mobile Positron Emission Tomography (“PET”) scanning service at a total proposed capital cost of \$1,695,000 representing the fair market value of the PET unit. The proposed service will be operated at Day Kimball Hospital, 320 Pomfret Street, Putnam, Connecticut.

Nature of Proceedings: On December 16, 2003, the Office of Health Care Access (“OHCA”) received the Applicants’ Certificate of Need (“CON”) application seeking authorization for the establishment of a mobile PET scanning service at a total proposed capital cost of \$1,695,000 representing the fair market value of the PET unit. The proposed service will be operated at Day Kimball Hospital located at 320 Pomfret Street,

Putnam, Connecticut. The Applicants are health care facilities or institutions as defined in Section 19a-630 of the Connecticut General Statutes (“C.G.S.”).

Notice to the public was published in *The Norwich Bulletin* on December 19, 2003, pursuant to Section 19a-643-45 of OHCA’s Regulations. OHCA received no comments from the public concerning the Applicants’ proposal.

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

Contribution of the Proposal to the Accessibility of Health Care Delivery in the Region

Contribution of the Proposal to the Quality of Health Care Delivery in the Region

1. Day Kimball Hospital (“Hospital”) is an acute care hospital located at 320 Pomfret Street, Putnam, Connecticut. (*November 21, 2003, CON Application, page 684*)
2. Alliance Imaging, Inc. (“Alliance”) is a company that provides diagnostic imaging and therapeutic systems and related technical support services, as well as management services, to hospitals and other health care providers. (*November 21, 2003, CON Application, page 766*)
3. The Applicants propose to establish PET scanning services at the Hospital’s campus in Putnam. (*November 21, 2003, CON Application, page 748*)
4. Alliance will supply the equipment and technical support for the provision of the Hospital’s PET services at the Hospital on a mobile basis. Initially, service will be provided one day every other week and operate between 7 a.m. and 5 p.m. (*November 21, 2003, CON Application, page 5*)
5. The primary application of proposed PET scanner will be the detection and staging of various cancer types. (*November 21, 2003, CON Application, page 15*)
6. The Hospital offers its patients preventive, diagnostic, treatment, and aftercare services to assist in the detection and treatment of cancer. The Rose Bove LaRose Oncology Center provides advanced chemotherapy treatments. (*December 16, 2003, Completeness Response, Attachment 1*)

7. The mobile PET service is intended to serve patients living in the following towns: Ashford, Brooklyn, Canterbury, Chaplin, Eastford, Hampton, Killingly, Plainfield, Pomfret, Putnam, Sterling, Thompson, and Woodstock. *(November 21, 2003, CON Application, page 5)*
8. There are no existing PET services within the Applicants proposed service area. *(November 21, 2003, CON Application, page 6)*
9. The Applicants developed a need methodology utilizing the number of patients currently referred out of the area for PET scans as the base for Year 1. The numbers for Years 2 and 3 projected a growth of 5% each year. The growth rate was based on the current and pending Centers for Medicare and Medicaid (“CMS”) indication approvals, as well as the historic volume growth experienced at other Connecticut hospitals where Alliance Imaging, Inc. currently provides PET imaging services. *(November 21, 2003, CON Application, page 6)*
10. The numbers of projected PET scans for the first three years of operation are 78, 82, and 86 for Years 1, 2, and 3, respectively. *(November 21, 2003, CON Application, page 6)*
11. Alliance has developed a Nuclear/PET Policy and Procedure Manual that the Hospital has indicated it will follow when providing the mobile PET scan services. The Hospital also plans to meet the guidelines outlined by the Society of Nuclear Medicine for Tumor Imaging using F-18 FDG. *(November 21, 2003, CON Application, page 7 and December 16, 2003, Completeness Response, Attachment 2)*
12. In addition to the PET scanner, Alliance will provide the following services:
 - Management Personnel
 - Nuclear Medicine Technologist
 - Operations, Marketing and Customer Support Services
 - Transportation coordinator/driver
 - Mobile Van and Hot Lab
 - Provision of film storage media
 - Assistance with patient preparation and transport
 - Operation of the PET scanner
 - Participation in QA programs and utilization review programs*(November 21, 2003, CON Application, pages 748 to 751)*

**Financial Feasibility of the Proposal
and its 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**

13. The proposal has a total capital cost of \$1,695,000 representing the fair market value of the PET unit, which consists of mobile PET Unit, including the van, the hot lab, and software. *(November 21, 2003, CON Application, pages 16, and 793)*
14. The PET scanner is a General Electric Advanced PET Scanner system previously purchased by Alliance. The PET scanner is currently in use on a mobile unit that Alliance operates at other locations. *(November 21, 2003, CON Application, page 12)*
15. The Hospital's existing mobile pad is suitable for the PET scanner mobile van and no changes will be needed. *(November 21, 2003, CON Application, page 16)*
16. Alliance will charge the Hospital on a fee per scan basis; dependent on the number of scans performed on a given day. These fees include the radiopharmaceuticals. *(November 21, 2003, CON Application, page 751)*
17. The Hospital's current and projected payer mix for each of the first three years of operation of the mobile PET scanner consists of 40% from Medicare/Medicaid reimbursement and 60% from commercial insurer and self-pay payments. *(November 21, 2003, CON Application, page 13)*
18. The Applicants are projecting incremental increases in operating revenue relating to this project in fiscal years 2004, 2005, and 2006 of \$111,630, \$117,852, and \$24,482, respectively. *(November 21, 2003, CON Application, page 744)*

**Consideration of Other Section 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. *(November 21, 2003, CON Application, page 4)*
20. The Applicants have adduced evidence that this proposal is consistent with their long-range plan. *(November 21, 2003, CON Application, page 5)*

21. The Applicants have improved productivity and contained costs through energy conservation, group purchasing, and the application of technology. *(November 21, 2003, CON Application, page 8)*
22. The proposal will not result in changes to the Applicants' teaching and research responsibilities. *(November 21, 2003, CON Application, page 8)*
23. There are no unique patient/physician mix characteristics related to this proposal. *(November 21, 2003, CON Application, page 8)*
24. The Applicants have sufficient technical, financial and managerial competence to provide efficient and adequate services to the public. *(November 21, 2003, CON Application, Attachment 5)*

Rationale

Alliance Imaging, Inc. and Day Kimball Hospital ("Applicants") propose to establish a mobile Positron Emission Tomography ("PET") service to be operated at Day Kimball Hospital ("Hospital") in Putnam, Connecticut. For a total proposed capital cost of \$1,695,000 representing the fair market value of the PET unit, Alliance Imaging, Inc. ("Alliance") will be contractually obligated to supply the equipment and technical support for the provision of the Hospital's PET services, including the PET scanner, the mobile van with hot lab, and personnel. The proposed service will initially operate one day every other week.

The Hospital proposes using the PET scanner for the diagnosis and treatment management of its cancer patients. The proposal will compliment the Hospital's existing cancer program that offers preventive, diagnostic, treatment, and aftercare services to assist in the detection and treatment of cancer. PET scanning is an effective imaging modality. Its use will enhance the quality of care that the Hospital can provide to the residents of the proposed service area.

Alliance has developed procedures and protocols related to the use of the PET scanner. Alliance will charge the Hospital on a fee per scan basis dependent on the number of scans performed on a given day. The Hospital is projecting incremental increases in operating revenues relating to this project for the first three years of operation. The financial projections relating to the operational aspects of this project appear reasonable and achievable.

Based on the foregoing Findings and Rationale, the Certification of Need application of Alliance Imaging, Inc. and Day Kimball Hospital to establish a mobile Positron Emission Tomography scanning service at the Hospital's campus in Putnam, Connecticut, at a total capital cost of \$1,695,000 representing the fair market value of the PET unit, is hereby GRANTED.

Order

The request of Alliance Imaging, Inc. and Day Kimball Hospital to establish a mobile Positron Emission Tomography (“PET”) scanning service at the Hospital’s campus located at 320 Pomfret Street, Putnam, Connecticut, at a total capital cost of \$1,695,000, representing the fair market value of the PET unit, is approved subject to the following conditions:

1. The authorization shall expire January 7, 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 capital cost of the proposal shall be \$1,695,000 and is allocated to Alliance. The \$1,695,000 capital cost represents the fair market value of the PET unit, which consists of mobile PET Unit, including the van, the hot lab, and software.
3. Alliance Imaging, Inc. shall not exceed the approved capital cost of \$1,695,000. In the event that the Applicants learn of potential cost increases or expects that the final project costs will exceed those approved, the Applicants shall file with OHCA a request for approval of the revised project budget.
4. The future operating schedule between the Day Kimball Hospital and Alliance Imaging, Inc. shall be established based on joint operating needs and shall be at their discretion.
5. This authorization is for a PET scanning service. CON authorization is required if the Applicant chooses to establish a PET-CT scanning service.

6. Day Kimball Hospital, in conjunction with Alliance Imaging, Inc., shall file utilization statistics for the PET scanning service on a quarterly calendar basis for two full years of operations. Each quarterly filing shall be submitted to OHCA by no later than one month following the end of each reporting period (e.g., January, April, July, and October). The initial report shall list the date on which the mobile PET scanning service commenced operation. The quarterly reports shall include the following:

Total number of scans scheduled for the PET scanning service;
Total number of scans performed by the PET scanning service;
Average patient waiting time from the scheduling of the scan to the performance of the scan;
Number of scans by patient zip code;
Hours and days of operation for each week and in total; and
Number of scans by Medicare diagnostic code.

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

Cristine A. Vogel
Commissioner

CAV:lkg