



Office Of Health Care Access Certificate of Need Application

Final Decision

Applicant: Mandell & Blau, M.D.s, P.C. d/b/a Open MRI of Buckland Hills

Docket Number: 03-30205-CON

Project Title: Acquisition of an Open Magnetic Resonance Imaging Unit

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

Filing Date: March 11, 2004

Decision Date: May 20, 2004

Default Date: June 9, 2004

Staff Assigned: Paolo Fiducia
Steven Lazarus

Project Description: Mandell & Blau, M.D.s, P.C. d/b/a Open MRI of Buckland Hills (“Applicant”) proposes to acquire an Open Magnetic Resonance Imaging Unit at a total capital cost of \$1,885,000.

Nature of Proceedings: On March 11, 2004 the Office of Health Care Access (“OHCA”) received a Certificate of Need (“CON”) application from Mandell & Blau, M.D.s, P.C. d/b/a Open MRI of Buckland Hills for the acquisition of an Open Magnetic Resonance Imaging Unit at a total capital cost of \$1,885,000.

A notice to the public was published on November 21, 2003 in *The Journal Inquirer* (Manchester). OHCA received no responses from the public concerning the Applicant’s proposal.

OHCA's authority to review, 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 Hospital'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. Mandell & Blau, M.D.s, P.C. d/b/a Open MRI of Buckland Hills ("Applicant") is a private radiology practice with offices located in South Windsor, Enfield, West Hartford and New Britain. (*Letter of Intent, November 12, 2003, page 15*)
2. On June 3, 1999, CON Determination Report Number 99-D1 stated that Mandell & Blau, M.D.'s, P.C. did not require a CON to acquire a Hitachi MRP 7000 open MRI unit at a total capital cost of \$364,203. (*June 3, 1999, CON Determination, pages 1 & 2*)
3. The Applicant currently provides open MRI services at its office located at 491 Buckland Road in South Windsor, Connecticut. The Applicant proposes to replace its existing open MRI unit with a Hitachi Altaire 0.7 T Open MRI with high field performance unit, at a total capital cost of \$1,885,000. (*Letter of Intent, November 12, 2003, page 4 and Certificate of Need Application, March 11, 2004, page 20-A*)
4. The Applicant's primary service area includes towns of Bolton, Broad Brook, East Glastonbury, East Hartford, East Windsor, East Windsor Hills, Ellington, Enfield, Glastonbury, Manchester, Melrose, Poquonock, South Windsor, Tolland and Vernon. (*Certificate of Need Application, March 11, 2004, page 13*)
5. The existing and proposed hours of operation for its MRI operation are Monday through Friday, 7:00 a.m. to 9:00 p.m., with Saturday hours available as needed. (*Certificate of Need Application, March 11, 2004, page 16*)
6. The Applicant based its need for the replacement high field open MRI unit on the following:
 - Increased patient volume;
 - Decreased exam time;
 - Improved Image Quality; and
 - Ability to perform more complex exams(*Certificate of Need Application, March 11, 2004, page 2*)

7. The proposed MRI unit will have the ability to perform additional studies including peripheral vascular and breast MRI exams in the open environment. *(Certificate of Need Application, March 11, 2004, page 2)*
8. The proposed replacement MRI unit will decrease the processing time of images, improve image quality and provide state-of-the-art technology in high field open MRI machine. *(Letter of Intent, November 12, 2003, page 13)*
9. The Applicant reports the utilization for the past four years as follows:
(Certificate of Need Application, March 11, 2004, page 18)

Table 1: Historical Utilization

Year	2000	2001	2002	2003
Number of Scans	2,830	3,486	3,541	3,522

10. The Applicant projects the following utilization following implementation of the proposal
(Certificate of Need Application, March 11, 2004, page 3)

Table 2: Projected Utilization

Year	2004	2005	2006
Total Number of Scans	3,646	3,857	4,050

11. Currently, there are no existing providers of high field open MRI in the Applicant's proposed service area. *(Certificate of Need Application, March 11, 2004, page 3)*
12. This project represents a renovation of approximately 2,000 s.f. of the existing facility to accommodate the proposed new equipment. *(Certificate of Need Application, March 11, 2004, page 7)*
13. The project will contain two phases:

Phase I The expansion area will be fully constructed and the new equipment will be delivered and installed with no interference of existing patient services.

Phase II This will involve minor renovations to the existing facility which will be conducted during off-hours, evenings and weekends with total protection and isolation of patient areas. Upon completion of Phase II, the adjacent areas will be connected during a weekend with the demolition of the two dividing walls. Upon completion the facility will begin utilizing the new scan room and the old MRI equipment will be removed. *(Certificate of Need Application, March 11, 2004, pages 7 & 8)*

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

14. The Applicant's total capital cost of \$1,885,000 for the CON proposal is as follows: (*Certificate of Need Application, March 11, 2004, Page 7*)

Table 3: Applicant's Total Capital Cost

Description	Total
Imaging Equipment (Lease)	\$1,535,000
Building Renovations	350,000
Total Capital Cost	\$1,885,000

15. The total capital cost will be funded through lease financing. (*Certificate of Need Application, March 11, 2004, Page 9*)

16. The Applicant's financial projections report revenue with the project as follows: (*Certificate of Need Application, March 11, 2004, page 23*)

Table 4: Applicant's Financial Projections

Fiscal Year	Revenue Over Expense
2004	\$899,191
2005	\$616,773
2006	\$657,521

17. The Applicant's projected payer mix during the first three years of implementation and operation of the CON proposal is as follows: (*Certificate of Need Application, March 11, 2004, Page 11*)

Table 5: Applicant's Three-Year Projected Payer Mix

Payer Mix	Year 1	Year 2	Year 3
Medicare	20.0%	21.0%	22.0%
Medicaid	1.0%	1.0%	1.0%
TriCare	0.0%	0.0%	0.0%
Total Government	21.0%	22.0%	23.0%
Commercial Insurers	67.0%	66.0%	65.0%
Self-Pay	2.0%	2.0%	2.0%
Workers Compensation	10.0%	10.0%	10.0%
Total Non-Government	79.0%	78.0%	77.0%
Uncompensated Care			
Total Payer Mix	100.0%	100.0%	100.0%

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. (*Certificate of Need Application, March 11, 2004, Page 2*)
19. The Applicant's does not maintain a long range plan. (*Certificate of Need Application, March 11, 2004, page 2*)
20. The proposal will not change the Applicant's teaching or research responsibilities. (*Certificate of Need Application, March 11, 2004, page 5*)
21. There are no distinguishing characteristics of the patient/physician mix with regard to its diagnostic imaging center. (*Certificate of Need Application, July 31, 2003, page 6*)
22. The Applicant has improved productivity and contained costs through application of technology. (*Certificate of Need Application, March 11, 2004, page 5*)
23. The Applicant has sufficient technical and managerial competence to provide efficient and adequate service to the public. (*Certificate of Need Application, March 11, 2004, page 4*)
24. The Applicant's rates are sufficient to cover the proposed capital expenditure and operating costs. (*Certificate of Need Application, July 31, 2003, Financial Pro-forma, page 15*)

Rationale

Mandell & Blau, M.D.s, P.C. d/b/a Open MRI of Buckland Hills (“Applicant”) is a private radiology practice with offices located in South Windsor, Enfield, West Hartford and New Britain. The Applicant proposes to replace its existing open MRI unit with a Hitachi Altaire 0.7 T Open MRI with high field performance unit, at a total capital cost of \$1,885,000, to be located at 491 Buckland Road in South Windsor. The Applicant’s primary service area includes towns of Bolton, Broad Brook, East Glastonbury, East Hartford, East Windsor, East Windsor Hills, Ellington, Enfield, Glastonbury, Manchester, Melrose, Poquonock, South Windsor, Tolland and Vernon. There are no existing providers of high field open MRI in the Applicant’s proposed service area.

The Applicant based its need for the replacement high field open MRI unit on increased patient volume, decreased exam time, and improved image quality. Acquisition of the replacement high field open MRI unit will provide the Applicant with the ability to perform more complex studies such as peripheral vascular and breast MRI exams in the open environment. The Applicant performed 2,830 scans in 2000, 3,486 scans in 2001, 3,541 scans in 2002, and 3,522 scans in 2003. The Applicant projects an increase in the number of studies performed due to decreased exam time and the ability of the replacement equipment to perform more complex exams. For the first three fiscal years of operation, the Applicant projects total number of scans as 3,646 for 2004, 3,857 for 2005 and 4,050 for 2006.

The project is financially feasible. The project has a total capital cost of \$1,885,000, which will be funded through lease financing. The Applicant is projecting gains in revenues of \$899,191 for FY 2004, \$616,773 for FY 2005, and \$657,521 for FY 2006. These projections appear to be both reasonable and achievable.

Based upon the foregoing Findings and Rationale, the Certificate of Need application of Mandell & Blau, M.D.s, P.C. d/b/a Open MRI of Buckland Hills to replace its existing open MRI unit with a Hitachi Altaire 0.7 T Open MRI with high field performance unit at its South Windsor location, at a total capital cost of \$1,885,000, is hereby GRANTED.

Order

Mandell & Blau, M.D.s, P.C. d/b/a Open MRI of Buckland Hills (“Applicant”) is hereby authorized to replace its existing open MRI unit with a Hitachi Altaire 0.7 T Open MRI with high field performance unit located at its South Windsor office, at a total capital cost of \$1,885,000, subject to the following conditions:

1. This authorization shall expire on May 20, 2005. Should the Applicant’s 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 \$1,885,000. 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.
3. This authorization requires the removal of the Applicant’s existing open MRI scanner to be replaced for certain disposition, such as sale or salvage, outside of and unrelated to the Applicant’s service provider location. Furthermore, the Applicant will provide evidence to OHCA of the disposition of the open MRI scanner to be upgraded, by no later than six months after the new replacement open MRI scanner 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

May 20, 2004

Signed by Cristine A. Vogel
Commissioner

CAV:pf