



## Office Of Health Care Access Certificate of Need Application

### Final Decision

**Applicant:** MidState Medical Center

**Docket Number:** 03-30222

**Project Title:** Replacement of Radiation Oncology Simulator with a CT Simulator

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

**Filing Date:** February 19, 2004

**Decision Date:** March 2, 2004

**Default Date:** May 19, 2004

**Staff Assigned:** Harold M. Oberg

**Project Description:** MidState Medical Center (“Hospital”) proposes to replace its existing Radiation Oncology simulator with a CT simulator, at a total capital expenditure of \$840,900. The Hospital intends to replace its existing Huestis Cascade Radiation Oncology simulator with a General Electric Lightspeed CT simulator.

**Nature of Proceedings:** On February 19, 2004, the Office of Health Care Access (“OHCA”) received a completed Certificate of Need (“CON”) application from MidState Medical Center to replace its existing Radiation Oncology simulator with a CT simulator, at a total capital expenditure of \$840,900. The Hospital is a health care facility or institution as defined by Section 19a-630 of the Connecticut General Statutes (“C.G.S.”).

On December 23, 2003, the Hospital was informed that a notice to the public regarding OHCA’s receipt of the Hospital’s Letter of Intent (“LOI”) to file its CON application would be published in *The Record Journal* of Meriden pursuant to Section 19a-639, C.G.S. as amended by Section 1 of Public Act 03-17. OHCA received no comments from the public concerning the Hospital’s LOI or CON application.

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

### 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. MidState Medical Center ("Hospital") is an acute care general hospital located at 435 Lewis Avenue in Meriden, Connecticut. The Hospital's total licensed bed capacity of 106 beds and bassinets includes 94 licensed beds and 12 licensed bassinets. *(February 17, 2004 CON Application, Page 18)*
2. The Hospital proposes to replace its existing Radiation Oncology simulator with a CT simulator, at a total capital expenditure of \$840,900. The Hospital will replace its existing Huestis Cascade Radiation Oncology simulator with a General Electric Lightspeed CT simulator. *(February 17, 2004 CON Application, Pages 2 and 3)*
3. The Hospital's original Radiation Oncology simulator was acquired in 1995 with a cost that was under the threshold for Certificate of Need ("CON") review. With the existing simulator being eight years old, repairs and maintenance for this unit have become costly and require an extended period of time necessary for repairs, as replacement parts are only available overseas. *(December 19, 2003 Letter of Intent, Project Description)*
4. The simulator is used as a part of the radiation therapy treatment planning process provided within the Hospital's Cancer Care Center. Physicians are able to determine an optimal treatment course for cancer patients utilizing the images generated by the simulator. Radiation Oncologists and Physicists are responsible for providing this service to cancer patients. *(December 19, 2003 Letter of Intent, Project Description)*
5. CT simulation is the preferred therapy for cancer treatment planning. The simulator allows the physicist and dosimetrists the ability to create three-dimensional images of tumors and surrounding areas, identifying specific treatment areas and dose targets for radiation therapy. Radiation Oncologists are then able to precisely target high-risk tumors with radiation beams, while avoiding healthy tissue with the highest possible accuracy. *(February 17, 2004 CON Application, Page 3)*
6. The proposed CT simulator will benefit cancer patients by reducing the time required for treatment planning, which will be achieved through the improved turnaround time required with the proposed unit. It is estimated that the scanning time with the proposed unit will be approximately twenty minutes versus the current scanning time of one hour. *(December 19, 2003 Letter of Intent, Project Description)*

7. There will also be an enhancement to patient comfort and quality with the proposed CT simulator. Currently, patients are required to have three visits. The first visit is a meeting with the Radiation Oncologist to be fitted for stabilizing materials, the second is a CT scan that takes place in the Radiology department, and the third is the actual simulation. However with the proposed CT simulator, patients will no longer be required to schedule multiple visits with multiple departments for their patient care, which will result in the elimination of the time and discomfort associated with these multiple visits for an immuno-compromized patient population. *(December 19, 2003 Letter of Intent, Project Description)*
8. There are no other providers of Radiation Oncology simulation services located within the Hospital's primary service area, and the Hospital would be the only provider with a CT simulation unit located within its primary and secondary service areas. *(February 17, 2004 CON Application, Page 3)*
9. The Hospital's actual simulation treatments were 498 in FY 2000, 496 in FY 2001, 729 in FY 2002 and 879 in FY 2003. *(February 19, 2004 Completeness Responses, Page 1)*
10. The Hospital's projected simulation treatments for FY 2004, FY 2005 and FY 2006 are as follows: *(February 27, 2004 Supplemental Completeness Response, Page 1)*

**Table 1: Hospital's Projected Three Year CT Simulation Treatment Volume**

Description	FY 2004	FY 2005	FY 2006
Projected Simulation Treatments with CON Proposal	923	969	1,018
Projected Simulation Treatments without CON Proposal	923	969	1,018
Projected Incremental Simulation Treatments	0	0	0

11. The Hospital projects that no incremental volume increase in simulation treatment volume will occur as a result of the implementation of the CON proposal. The CON proposal will commence upon approval from OHCA. *(February 17, 2004 CON Application, Page 12 and December 19, 2003 Letter of Intent, 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**

12. The Hospital's total capital expenditure of \$840,900 includes \$765,900 for the proposed GE Lightspeed CT simulator and \$75,000 for minor Hospital building renovations. *(February 17, 2004 CON Application, Page 9)*
13. The Hospital's total capital expenditure will be funded entirely by an equity contribution of \$840,900 from the Hospital's operating funds. *(February 19, 2004 Completeness Responses, Appendix II)*
14. The Hospital projects total facility revenue from operations, total operating expense and gains from operations with the CON proposal as follows: *(February 27, 2004 Supplemental Completeness Response, Page 1)*

**Table 2: Hospital's Total Facility Financial Projections for FY 2004, FY 2005 and FY 2006**

Description	FY 2004	FY 2005	FY 2006
Revenue from Operations with CON Prop.	\$123,300,000	\$127,000,000	\$132,200,000
Total Operating Expense with CON Prop.	122,479,090	125,858,180	130,458,180
<b>Gain from Operations with CON Prop.</b>	<b>\$ 820,910</b>	<b>\$ 1,141,820</b>	<b>\$ 1,741,820</b>

15. The Hospital projects incremental revenue from operations, total operating expense and losses from operations associated with the CON proposal as follows: *(February 27, 2004 Supplemental Completeness Response, Page 1)*

**Table 3: Hospital's Incremental Financial Projections for FY 2004, FY 2005 and FY 2006**

Description	FY 2004	FY 2005	FY 2006
Incremental Revenue from Operations	\$ 0	\$ 0	\$ 0
Incremental Total Operating Expense	79,090	158,180	158,180
<b>Incremental Loss from Operations</b>	<b>\$ (79,090)</b>	<b>\$(158,180)</b>	<b>\$(158,180)</b>

16. The projected incremental losses from operations are due to new operating expenses for depreciation related to the purchase of the proposed new CT simulator and minor Hospital building renovations. *(February 17, 2004 CON Application, Page 12)*
17. The Hospital's projected payer mix during the first three years of operation of the proposed CT simulator is as follows: *(February 19, 2004 Completeness Responses, Appendix III)*

**Table 4: Hospital's Three-Year Projected Payer Mix**

Description	Year 1	Year 2	Year 3
Medicare	61.00%	61.00%	61.00%
Medicaid	9.00%	9.00%	9.00%
TriCare	0.00%	0.00%	0.00%
<b>Total Government</b>	<b>70.00%</b>	<b>70.00%</b>	<b>70.00%</b>
Commercial Insurers	28.00%	28.00%	28.00%
Self-Pay	2.00%	2.00%	2.00%
Workers Compensation	0.00%	0.00%	0.00%
<b>Total Non-Government</b>	<b>30.00%</b>	<b>30.00%</b>	<b>30.00%</b>
Uncompensated Care	0.00%	0.00%	0.00%
<b>Total Payer Mix</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</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. *(February 17, 2004 CON Application, Page 3)*
19. The Hospital has adduced evidence that the proposal is consistent with the Hospital's long-range plan. *(February 17, 2004 CON Application, Page 3)*

20. The Hospital has improved productivity and contained costs by undertaking energy conservation, reengineering and group purchasing activities. *(February 17, 2004 CON Application, Page 6)*
21. The proposal will not result in any change to the Hospital's teaching and research responsibilities. *(February 17, 2004 CON Application, Page 7)*
22. There are no distinguishing or unique characteristics of the Hospital's patient/physician mix related to the proposal. *(February 17, 2004 CON Application, Page 7)*
23. The Hospital has sufficient technical, financial and managerial competence and expertise to provide efficient and adequate service to the public. *(February 17, 2004 CON Application, Pages 4 and 5)*

## **Rationale**

MidState Medical Center ("Hospital") proposes to replace its existing Radiation Oncology simulator with a CT simulator, at a total capital expenditure of \$840,900. The Hospital will replace its existing Huestis Cascade Radiation Oncology simulator with a General Electric Lightspeed CT simulator. The Hospital's original Radiation Oncology simulator was acquired in 1995 with a cost that was under the threshold for Certificate of Need ("CON") review. With the existing simulator being eight years old, repairs and maintenance for this unit have become costly and require an extended period of time necessary for repairs, as replacement parts are only available overseas.

CT simulation is the preferred therapy for cancer treatment planning. The simulator allows the physicist and dosimetrists the ability to create three-dimensional images of tumors and surrounding areas, identifying specific treatment areas and dose targets for radiation therapy. Radiation Oncologists are then able to precisely target high-risk tumors with radiation beams, while avoiding healthy tissue with the highest possible accuracy. The proposed CT simulator will benefit cancer patients by reducing the time required for treatment planning, which will be achieved through the improved turnaround time required with the proposed unit. It is estimated that the scanning time with the proposed unit will be approximately twenty minutes versus the current scanning time of one hour.

There will also be an enhancement to patient comfort and quality with the proposed CT simulator. Currently, patients are required to have three visits. The first visit is a meeting with the Radiation Oncologist to be fitted for stabilizing materials, the second is a CT scan that takes place in the Radiology department, and the third is the actual simulation. However with the proposed CT simulator, patients will no longer be required to schedule multiple visits with multiple departments for their patient care, which will result in the elimination of the time and discomfort associated with these multiple visits for an immuno-compromized patient population. Based on the foregoing reasons, OHCA finds that there is a clear public need for the Hospital's CON proposal, and that the CON proposal will improve the quality and accessibility of existing cancer treatment planning services in the Meriden region.

The proposal's total capital expenditure of \$840,900 will be funded entirely by an equity contribution consisting of \$840,900 from the Hospital's operating funds. The Hospital projects that no incremental volume increase in simulation treatments will occur as a result of the implementation of the CON proposal. The Hospital projects total facility gains from operations of \$820,910, \$1,141,820 and \$1,741,820 in FY 2004, FY 2005 and FY 2006, respectively with the CON proposal. The Hospital also projects minimal incremental losses from operations of \$(79,090), \$(158,180) and \$(158,180) in FY 2004, FY 2005 and FY 2006, respectively due to the CON proposal. The projected incremental losses from operations are small relative to the size and scope of the Hospital's total facility financial projections and are due to new operating expenses for depreciation related to the purchase of the proposed CT simulator and minor Hospital building renovations. 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 MidState Medical Center to replace its existing Radiation Oncology simulator with a CT simulator, at a total capital expenditure of \$840,900, is hereby GRANTED.

## Order

MidState Medical Center (“Hospital”) is hereby authorized to replace its existing Radiation Oncology simulator with a CT simulator, at a total capital expenditure of \$840,900, subject to the following conditions:

1. This authorization shall expire on March 31, 2006. Should the Hospital’s simulator replacement project not be completed by that date, the Hospital must seek further approval from OHCA to complete the project beyond that date.
2. The Hospital shall not exceed the approved total capital expenditure of \$840,900. In the event that the Hospital learns of potential cost increases or expects that final project costs will exceed those approved, the Hospital shall file with OHCA a request for approval of the revised CON project budget.
3. This authorization requires the removal of the Hospital’s existing Radiation Oncology simulator for certain disposition, such as sale or salvage, outside of and unrelated to the Hospital’s service provider locations. Furthermore, the Hospital will provide evidence to OHCA of the disposition of the Hospital’s existing Radiation Oncology simulator by no later than six months after the CT simulator 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

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Date

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Cristine A. Vogel  
Commissioner

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