



## Office Of Health Care Access Certificate of Need Application

### Final Decision

**Applicant:** Norwalk Hospital

**Docket Number:** 04-30229

**Project Title:** Replacement and Purchase of Open MRI Unit

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

**Filing Date:** April 7, 2004

**Decision Date:** April 22, 2004

**Default Date:** July 6, 2004

**Staff Assigned:** Harold M. Oberg

**Project Description:** Norwalk Hospital (“Hospital”) proposes to purchase a replacement open Magnetic Resonance Imaging (“MRI”) unit to be operated at the Norwalk Radiology & Mammography Center located at 148 East Avenue in Norwalk, at a total capital expenditure of \$1,200,000. The Hospital plans to replace its existing obsolete Siemens Magnetom 0.2 tesla open MRI unit with a General Electric Signa OpenSpeed 0.7 tesla open MRI unit.

**Nature of Proceedings:** On April 7, 2004, the Office of Health Care Access (“OHCA”) received a completed Certificate of Need (“CON”) application from Norwalk Hospital to purchase a replacement open MRI unit to be operated at the Norwalk Radiology & Mammography Center, at a total capital expenditure of \$1,200,000. The Hospital is a health care facility or institution as defined by Section 19a-630 of the Connecticut General Statutes (“C.G.S.”).

On January 13, 2004, 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 Hour* of Norwalk 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. Norwalk Hospital ("Hospital") is an acute care general hospital located at 34 Maple Street in Norwalk, Connecticut. The Hospital's total licensed bed capacity of 366 beds and bassinets includes 328 licensed beds and 38 licensed bassinets. (*March 8, 2004 CON Application, Page 97*)
2. In 1985, a joint venture business entity was formed by and among NRC Equipment Associates and the Southwestern Connecticut Corporation ("SWC Corporation") doing business as Norwalk Radiology & Mammography Center ("Center"). SWC Corporation is a for-profit subsidiary of Norwalk Health Services Corporation, which is the parent corporation of Norwalk Hospital. (*March 8, 2004 CON Application, Page 3*)
3. The Center provides a range of outpatient imaging services that include digital mammography, CT scanning, ultrasound, x-rays, osteoporosis scanning, fluoroscopy and open MRI scanning services in conjunction with Norwalk Hospital. Norwalk Radiology Consultants, P.C. provides professional radiology services at the Center and also provides professional radiology services at Norwalk Hospital. (*March 8, 2004 CON Application, Page 3*)
4. On July 11, 1997, the Office of Health Care Access ("OHCA") granted Certificate of Need ("CON") authorization under Docket Number 97-523 to Norwalk Hospital to purchase and operate a refurbished Siemens Magnetom 0.2 tesla open MRI unit at the Norwalk Radiology & Mammography Center located at 148 East Avenue in Norwalk. The total capital expenditure for all components of the CON project approved by OHCA was \$610,900. (*July 11, 1997 OHCA Agreed Settlement, Norwalk Hospital Association, Docket Number 97-523 and March 8, 2004 CON Application, Page 3*)
5. The Hospital proposes to purchase a replacement open Magnetic Resonance Imaging ("MRI") unit to be operated at the Norwalk Radiology & Mammography Center, at a total capital expenditure of \$1,200,000. The Hospital plans to replace its existing Siemens Magnetom 0.2 tesla open MRI unit with a General Electric Signa OpenSpeed 0.7 tesla open MRI unit. The Hospital's existing open MRI unit currently operating at the Center is obsolete, and as a result this MRI unit cannot provide the same level of advanced imaging technology as other hospital providers of open MRI services. (*March 8, 2004 CON Application, Pages 1, 3, 4 and 5*)

6. Downtime due to equipment failure associated with the existing open MRI unit has been excessive as component parts for the equipment are no longer readily available in the United States and must be secured abroad. Incidents of equipment downtime and resulting patient rescheduling have occurred during 2002 and 2003 for nearly 10 out of 12 months each year. *(April 8, 2004 Supplemental Completeness Responses, Page 1)*
7. The Hospital listed the advantages to be obtained from the operation of the proposed open MRI unit as follows: *(March 8, 2004 CON Application, Pages 5 and 8)*
  - a. Significantly improved high-field image quality;
  - b. Faster scan times for both routine studies as well as more challenging applications;
  - c. Greater patient comfort due to adjustment modules with ventilation and lighting accessories; and
  - d. Improved clinical productivity through reduced MRI scan processing time.
8. The Hospital's open MRI services are accessible to pediatric, claustrophobic and obese patients residing in its primary service area that require the use of open MRI technology as well as older patients that may require open MRI services. *(March 8, 2004 CON Application, Page 10)*
9. The Hospital's actual open MRI scan volume was 1,679 in FY 2000, 2,196 in FY 2001, 2,717 in FY 2002 and 2,576 in FY 2003. *(March 8, 2004 CON Application, Page 4)*
10. The Hospital's projected open MRI scans for FY 2004, FY 2005, FY 2006 and FY 2007 are as follows: *(April 8, 2004 Supplemental Completeness Responses, Attachment 2)*

**Table 1: Hospital's Projected Open MRI Scans for FY 2004 through FY 2007**

Description	FY 2004	FY 2005	FY 2006	FY 2007
Open MRI Scans with CON Proposal	2,576	2,800	3,100	3,500
Open MRI Scans without CON Proposal	2,576	2,300	2,000	1,700
Open MRI Scans Incremental to CON Proposal	0	500	1,100	1,800

11. The Hospital projects that without the CON proposal, the Hospital's open MRI scans would decrease annually due to the operation of an obsolete open MRI unit with associated equipment downtime and the resulting inability to adequately compete with other area providers of open MRI services. *(March 8, 2004 CON Application, Page 18)*
12. All Radiologists who provide professional radiology services at the Hospital and at the Norwalk Radiology & Mammography Center are fellowship trained and certified by the American Board of Radiology. *(March 8, 2004 CON Application, Page 13)*
13. The days and hours of operation of the Hospital's open MRI services that are provided at the Norwalk Radiology & Mammography Center are Monday through Friday from 8:00 am to 5:00 pm and would remain the same after the commencement of operation of the proposed open MRI unit. *(March 8, 2004 CON Application, Page 7)*

**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**

14. The Hospital's total capital expenditure of \$1,200,000 includes \$1,041,000 for the proposed General Electric OpenSpeed 0.7 tesla open MRI unit and \$159,000 for minor building renovations. *(March 8, 2004 CON Application, Page 15)*
15. The Hospital's total capital expenditure will be funded entirely by an equity contribution of \$1,200,000 from the Hospital's operating funds. *(March 8, 2004 CON Application, Page 16)*
16. The Hospital projects incremental revenue from operations, total operating expense and gain/(loss) from operations associated with the CON proposal as follows: *(April 8, 2004 Supplemental Completeness Responses, Attachment 2)*

**Table 2: Hospital's Incremental Financial Projections for FY 2004 through FY 2007**

Description	FY 2004	FY 2005	FY 2006	FY 2007
Incremental Revenue from Operations	\$0	\$185,000	\$372,000	\$ 590,000
Incremental Total Operating Expense	0	258,000	325,000	325,000
<b>Increm. Gain/(Loss) from Operations</b>	<b>\$0</b>	<b>\$(73,000)</b>	<b>\$ 47,000</b>	<b>\$265,000</b>

17. The projected incremental gains from operations are primarily due to the projected incremental increases in open MRI scan volume, and the projected incremental loss from operations is due to first year depreciation costs associated with the operation of the proposed replacement open MRI unit. The proposed open MRI unit would commence operation in October 2004. *(April 7, 2004 Completeness Responses, Page 6 and April 8, 2004 Supplemental Completeness Responses, Attachment 2)*
18. The Hospital's projected payer mix during the first three years of implementation and operation of the proposed replacement open MRI unit is as follows: *(April 8, 2004 Supplemental Completeness Responses, Page 2)*

**Table 3: Hospital's Three-Year Projected Payer Mix**

Description	Year 1	Year 2	Year 3
Medicare	44.0%	44.0%	44.0%
Medicaid	11.0%	11.0%	11.0%
TriCare	0.0%	0.0%	0.0%
<b>Total Government</b>	<b>55.0%</b>	<b>55.0%</b>	<b>55.0%</b>
Commercial Insurers	42.0%	42.0%	42.0%
Self-Pay	3.0%	3.0%	3.0%
Workers Compensation	0.0%	0.0%	0.0%
<b>Total Non-Government</b>	<b>45.0%</b>	<b>45.0%</b>	<b>45.0%</b>
Uncompensated Care	0.0%	0.0%	0.0%
<b>Total Payer Mix</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</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.:

19. There is no state health plan in existence at this time. *(March 8, 2004 CON Application, Page 2)*
20. The Hospital has adduced evidence that the proposal is consistent with the Hospital's long-range plan. *(March 8, 2004 CON Application, Page 2)*
21. The Hospital has improved productivity and contained costs by undertaking energy conservation, reengineering, group purchasing and activities involving the application of new technology. *(March 8, 2004 CON Application, Page 13)*
22. The proposal will not result in any change to the Hospital's teaching and research responsibilities. *(March 8, 2004 CON Application, Page 13)*
23. There are no distinguishing or unique characteristics of the Hospital's patient/physician mix related to the proposal. *(March 8, 2004 CON Application, Page 13)*
24. The Hospital has sufficient technical, financial and managerial competence and expertise to provide efficient and adequate service to the public. *(March 8, 2004 CON Application, Pages 79 - 96)*

## Rationale

Norwalk Hospital ("Hospital") proposes to purchase a replacement open Magnetic Resonance Imaging ("MRI") unit to be operated at the Norwalk Radiology & Mammography Center, at a total capital expenditure of \$1,200,000. The Hospital plans to replace its existing Siemens Magnetom 0.2 tesla open MRI unit with a General Electric Signa OpenSpeed 0.7 tesla open MRI unit. The Hospital's existing open MRI unit is obsolete, and as a result this MRI unit cannot provide the same level of advanced imaging technology as other hospital providers of open MRI services.

On July 11, 1997, the Office of Health Care Access ("OHCA") granted Certificate of Need ("CON") authorization under Docket Number 97-523 to Norwalk Hospital to purchase and operate a refurbished Siemens Magnetom 0.2 tesla open MRI unit at the Norwalk Radiology & Mammography Center ("Center") located at 148 East Avenue in Norwalk. The total capital expenditure for all components of the CON project approved by OHCA was \$610,900. The Center provides a range of outpatient imaging services that include digital mammography, CT scanning, ultrasound, x-rays, osteoporosis scanning, fluoroscopy and open MRI scanning services in conjunction with Norwalk Hospital. Norwalk Radiology Consultants, P.C. provides professional radiology services at the Center and also provides professional radiology services at Norwalk Hospital.

Downtime due to equipment failure associated with the existing open MRI unit has been excessive as component parts for the equipment are no longer readily available in the United States and must be secured abroad. Incidents of equipment downtime and resulting patient rescheduling have occurred during 2002 and 2003 for nearly 10 out of 12 months each year. The Hospital listed the advantages to be obtained from the operation of the proposed open MRI unit as significantly improved high-field image quality, faster scan times for both routine studies as well as more challenging applications, greater patient comfort due to adjustment modules with ventilation and lighting accessories, and improved clinical productivity through reduced MRI scan processing time.

The Hospital's open MRI services are accessible to pediatric, claustrophobic and obese patients residing in its primary service area that require the use of open MRI technology as well as older patients that may require open MRI services. 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 open MRI services provided in the Norwalk region.

The proposal's total capital expenditure of \$1,200,000 will be funded entirely by an equity contribution of \$1,200,000 from the Hospital's operating funds. The Hospital projects that incremental volume increases in open MRI scans of zero in FY 2004, 500 in FY 2005, 1,100 in FY 2006 and 1,800 in FY 2007 will occur as a result of the implementation of the CON proposal. The Hospital projects an incremental gain/(loss) from operations of \$0 in FY 2004, \$(73,000) in FY 2005, \$47,000 in FY 2006 and \$265,000 in FY 2007 due to the CON proposal. The proposal's projected incremental gains from operations are principally due to projected incremental increases in open MRI scan volume, and the projected incremental loss from operations is due to first year depreciation costs associated with the project. The Hospital's volume projections and the financial projections upon which they are based appear to be reasonable and achievable. 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 Norwalk Hospital to purchase a replacement open MRI unit to be operated at the Norwalk Radiology & Mammography Center, at a total capital expenditure of \$1,200,000, is hereby GRANTED.

## Order

Norwalk Hospital ("Hospital") is hereby authorized to purchase a replacement open MRI unit to be operated at the Norwalk Radiology & Mammography Center, at a total capital expenditure of \$1,200,000, subject to the following conditions:

1. This authorization shall expire on April 30, 2006. Should the Hospital's open MRI unit 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 \$1,200,000. 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 open MRI unit for certain disposition, such as sale or salvage, outside of and unrelated to the Norwalk Radiology & Mammography Center and the Hospital's service provider locations. Furthermore, the Hospital will provide evidence to OHCA of the disposition of the Hospital's existing open MRI unit by no later than six months after the replacement open MRI unit 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

April 22, 2004

Signed by Cristine A. Vogel  
Commissioner

CAV: ho