



## Office Of Health Care Access Certificate of Need Application

### Final Decision

**Applicant:** Advanced Radiology Consultants, LLC

**Docket Number:** 04-30277-CON

**Project Title:** Acquire a High Field Open MRI Unit for Stamford Radiology Practice Location

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

**Filing Date:** August 13, 2004

**Hearing Dates:** September 20, 2004, October 6, 2004 & October 15, 2004

**Presiding Officer:** Cristine A. Vogel

**Intervenor:** University Standing Open MRI of Stamford, LLC

**Decision Date:** November 18, 2004

**Default Date:** November 26, 2004 (with 15 day extension granted)

**Staff Assigned:** Karen Roberts

**Project Description:** Advanced Radiology Consultants, LLC (“Applicant”) proposes to acquire a high field open Magnetic Resonance Imaging (“MRI”) unit for its 1351 Washington Boulevard, Stamford, radiology practice location, as a replacement of the existing MRI unit at that location, at a total capital expenditure of \$2,096,000.

**Nature of Proceedings:** On August 13, 2004, the Office of Health Care Access (“OHCA”) received a completed Certificate of Need (“CON”) application from Advanced Radiology Consultants, LLC (“Applicant”) to acquire a high field open MRI unit for its Stamford radiology practice location, as a replacement of the existing MRI unit at that location, at a total capital expenditure of \$2,096,000.

On August 18, 2004, OHCA issued an Order of Consolidation, pursuant to Sections 19a-639 and 19a-643-21 of the Regulations of Connecticut State Agencies. The Order of Consolidation allows the Certificate of Need (“CON”) applications reviewed under Docket Number 04-30277-CON for Advanced Radiology Consultants, LLC and Docket Number 04-30261-CON for University Standing Open MRI of Stamford, LLC (“USOMRI of Stamford”) to be consolidated for the purposes of conducting a batched public hearing.

On September 10, 2004, OHCA received the Applicant’s request for a fifteen (15) day extension of the ninety (90) day review period for its pending CON application. OHCA reviewed the request and granted the Applicant’s time extension request, revising the default date for the CON application, from November 11, 2004 to November 26, 2004.

A public hearing regarding the CON application was held on September 20, 2004, October 6, 2004 and October 15, 2004. The Applicant was notified of the date, time, and place of each of the proceedings and a notice to the public was published in *The Advocate* (Stamford). Commissioner Cristine A. Vogel served as Presiding Officer for this case. The 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 Section 19a-639, C.G.S.

USOMRI of Stamford petitioned for party status, or in the alternative intervenor status in the proceeding for Docket Number 04-30277-CON. The Presiding Officer denied the request for party status and granted USOMRI of Stamford’s request for intervenor status with the right to present evidence and argument, as well as the right to cross-examine witnesses for the Applicant on the issues raised in its petition.

The Presiding Officer heard testimony from witnesses for the Applicant and witnesses for the Intervenor and in rendering this decision, considered the entire record of the proceeding. 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 considered by OHCA in its review.

## **Findings of Fact**

### **Clear Public Need, Impact of the Proposal on the Applicant’s Current Utilization Statistics, the Proposal’s Contribution to the Quality of Health Care Delivery in the Region, the Proposal’s Contribution to the Accessibility of Health Care Delivery in the Region**

1. Advanced Radiology Consultants, LLC (“Applicant”) is a provider of diagnostic imaging services in Fairfield County, with practice locations in the towns of Bridgeport, Fairfield, Orange, Shelton, Stamford, Stratford and Trumbull. The Applicant serves as the exclusive provider of radiology services to Bridgeport Hospital. The Applicant currently operates Magnetic Resonance Imaging (“MRI”) scanners that include high field scanners and mid and low field open units. (*July 2, 2004 CON application, page 12 and August 13, 2004 completeness responses, Exhibit A*)

2. The Applicant proposes to acquire a high field open MRI unit for use at its existing practice location at 1351 Washington Boulevard in Stamford Connecticut. The Stamford office provides radiology, mammography, ultrasound, MRI and CT scanning. *(April 1, 2004 Letter of Intent and July 2, 2004 CON application, page 2)*
3. The Applicant is considering acquiring a high field open MRI unit through the lease of a Fonar Corporation *Indomitable: The Stand-Up MRI*, which is a whole-body open MRI system operating at a field strength of 0.6 Tesla, and which enables position imaging applications featuring weight-bearing MRI studies. *(July 2, 2004 CON application, Exhibit G)*
4. The Fonar unit under consideration allows examination in the sitting, standing or recumbent positions. Patients who have positional symptoms may be imaged more appropriately with this unit as it allows an unrestricted range of motion and may better show pathology related to patient position or weight bearing. *(July 2, 2004 CON application, pages 2 and 5)*
5. The Applicant proposes to replace the existing low-field open MRI unit in the Stamford Office with the proposed high field open unit and relocate the existing unit to one of the practice's other locations. The proposed MRI unit will be installed in a separate physical space, which will allow the existing unit to remain in operation until the new unit has been installed and is fully operational. *(July 2, 2004 CON application, page 2 and August 13, 2004 Completeness Responses, page 9)*
6. The Applicant's primary service area for the proposed MRI unit will be similar to that which the Applicant currently serves in the Stamford practice location and includes the Connecticut towns of Stamford, Darien, New Canaan and Greenwich. *(July 2, 2004 CON Application, Page 7)*
7. The Applicant identifies its primary service area towns based upon a zip code analysis of existing patient towns of origin for the Stamford practice location and the fact that these towns are within a twenty minute drive time from the Stamford practice location. *(August 13, 2004 Completeness Responses, page 5 and Exhibit B)*
8. The Applicant is proposing to upgrade the current MRI unit in Stamford in order to improve quality, reduce waiting times, improve scheduling, meet projected increases in demand, recruit and retain skill technologists and increase accessibility. The higher field unit proposed will allow the Applicant to provide more complex examinations in an open environment, including MRI evaluation of the breast, peripheral vascular system, the abdomen and smaller joints. *(July 2, 2004 CON application, page 4 and August 13, 2004 Completeness Responses, page 5)*
9. There are currently no providers of high field open MRI services located in the Applicant's service area. In the Applicant's Connecticut service area, The Stamford Hospital and Greenwich Hospital provide MRI services using high field closed units. *(July 2, 2004 CON application, page 7)*

10. An entity affiliated with the Applicant, Fairfield County High Field Open MRI, LLC, has been granted a Certificate of Need for the acquisition of a high field open MRI unit for its Fairfield practice location. *(July 2, 2004 CON application, page 8 and CON authorization under Docket Number 04-30236)*
11. The Applicant has established referral patterns and patient base. The Applicant's Stamford practice location receives referrals from primary care physicians, orthopedists, neurologists, neurosurgeons, chiropractors, physiatrists and podiatrists. The referral patterns at the Stamford office are similar to the Applicant's other practice locations. *(July 2, 2004 CON application, page 5 and August 13, 2004 Completeness Responses, page 4-5)*
12. The Applicant states that most of the patient volume for the proposed unit will come from the Applicant's existing patient/referral base. The Applicant further states that there will be minimal impact on existing providers of MRI examinations in the service area. *(July 2, 2004 CON application, page 7)*
13. Though the Applicant states that a subset of patients will benefit from the weight bearing and positional capabilities of the Fonar unit under consideration, the CON proposal is based primarily on the need for additional high-quality MRI capacity and specifically, a high field open unit. *(July 2, 2004 CON application, page 5)*
14. The Applicant's low-field open MRI unit located in Stamford operates Monday through Friday from 8:30 a.m. to 5:00 p.m. The unit operates approximately 2080 hours annually for regular scheduling. *(July 2, 2004 CON application, pages 2 - 3 and 7 and August 13, 2004 Completeness Responses, page 3)*
15. The current MRI unit in Stamford commenced operation in August, 2003. It replaced a unit previously in existence at that location. The FY 2001 to FY 2003 MRI examination volumes for the Stamford office location were as follows:

**Table 1: Applicant's Historical and Estimated MRI volume at its Stamford Office**

	FY* 2001 (partial year)	FY 2002	FY 2003	FY 2004 (estimated)	Growth from FY 2002 to FY 2004 (estimated)
Examinations	667	2,306	2,636	3,156	-
Percent Growth			14.3%	19.7%	36.8%

*(July 2, 2004 CON application, page 3 and August 13, 2004 completeness responses, pages 3 and 8)*

*(\*Note that the Applicant's fiscal year commences on January 1<sup>st</sup>)*

16. Based on an estimate of one hour per MRI exam for the existing MRI scanner, the Applicant states that annual exam hours for FY 2003 (2,636 hours) exceeded annual available hours (2,080 hours) and that the Stamford location is therefore exceeding its operating capacity. The Applicant states that it has reached the limits of its ability to add additional volume to its existing unit in Stamford through various process improvements. *(July 2, 2004 CON application, page 3 and August 13, 2004 Completeness Responses, page 4)*
17. The Applicant states that if it tries to extend its hours of operation further, the office will either be unsuccessful in providing radiology technologist coverage or suffer defection of technologists. For this reason, the Applicant has decided to add hardware capacity rather than extend the hours of operation of the MRI unit. *(July 2, 2004 CON application, page 4)*
18. The Applicant states that scan times will be faster with the proposed high field open MRI unit allowing the Applicant to increase patient throughput. The Applicant projects that time-per-scan will be reduced from one hour per examination to 40 minutes per examination, which would result in an average of four additional patients per day and allow for more expeditious urgent add-on cases without disrupting the patient schedule. *(August 13, 2004 Completeness Responses, page 2)*
19. The Applicant projects that the use of the positional MRI unit would result in an additional 2 to 3 patients per day or 650 additional patients per year as a result of the improved quality and the capability to do more complex examinations. *(August 13, 2004 Completeness Responses, page 6)*
20. The Applicant's projects MRI scans at its Stamford office for FY 2004, FY 2005 and FY 2006 to be as follows: *(July 2, 2004 CON Application, Exhibit J)*

**Table 2: Applicant's Projected Open MRI Scans at its Stamford Office**

Description	FY 2004*	FY 2005	FY 2006
Projected Total MRI Scans with CON Proposal	3,286	3,936	4,456
Projected Total MRI Scans without CON Proposal	3,156	3,156	3,156
Projected Open MRI Scans Incremental to CON Proposal	130	780	1,300

\*FY 2004 projections had assumed a 10/1/2004 project implementation date

21. The Applicant has a 10 percent rate of incomplete scans on its current closed unit due to claustrophobia. Acquisition of a high field open unit would allow excellent scans for these claustrophobic patients and diminish the need for patient sedation. *(July 2, 2004 CON application, pages 4-5)*
22. The Applicant maintains a Quality Assurance Plan. In addition, the Applicant employs a full-time Quality Assurance staff member. *(July 2, 2004 CON application, page 11 and August 13, 2004 Completeness Responses, page 7 and Exhibit C)*
23. The Applicant intends to pursue American College of Radiology ("ACR") accreditation for the proposed MRI unit and intends to meet all of the requirements for ACR accreditation including, but not limited to, the credentialing of its subspecialty radiologists. *(July 2, 2004 CON application, page 9)*

24. The Applicant's open MRI examinations to be performed on the proposed high field open MRI unit will be supervised and interpreted by sub-specialist radiologists with significant prior MRI interpretation experience. There are nine Advanced Radiology Consultants, LLC physicians who are Board Certified in MRI. *(July 2, 2004 CON Application, Page 10 and 12 and August 13, 2004 Completeness Responses, page 6)*
25. The Applicant has implemented a distributed reading environment through the use of its Picture Archiving and Storage System (PACS). There is a radiologist in the Stamford practice location each day; however each patient's examination is interpreted by the appropriate subspecialty physician regardless of physical location. *(August 13, 2004 Completeness Responses, page 6)*

**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**

26. The Applicant's total capital expenditure of \$2,096,000, includes \$1,600,000 for the proposed Fonar Stand-Up 0.6 tesla open MRI unit under consideration, \$400,000 for facility renovations and \$96,000 for sales tax. *(July 2, 2004 CON Application, Page 13)*
27. The Applicant's total capital expenditure will be funded by an equity contribution of \$420,000 from the Applicant's operating funds and by debt financing of \$1,676,000 through a conventional loan. *(July 2, 2004 CON Application, Page 14 and August 13, 2004 Completeness Responses, page 9)*
28. The Applicant projects incremental revenue from operations, total operating expense and revenue over expense associated with the CON proposal as follows: *(July 2, 2004 CON Application, Exhibit J)*

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

Description	FY 2004*	FY 2005	FY 2006
Incremental Revenue from Operations	\$78,000	\$468,000	\$780,000
Incremental Total Operating Expense	\$44,455	\$274,731	\$471,621
<b>Incremental Revenue Over Expense</b>	<b>\$33,545</b>	<b>\$193,269</b>	<b>\$308,379</b>

\*FY 2004 projections had assumed a 10/1/2004 project implementation date

29. The projected incremental revenue over expense in each of the three fiscal years is due to the projected number of incremental open MRI scans associated with the operation of the proposed high field open MRI unit. *(July 2, 2004 CON Application, Exhibit J)*
30. Advanced Radiology Consultants, LLC's Stamford operations have operated at a net profit from operations since its commencement of operations in 2001 and are expected to continue to operate at a net profit for projected FY 2004. *(July 2, 2004 CON application, Exhibit E)*

31. The Applicant's projected payer mix during the first three years of operation of the proposed high field open MRI unit is as follows: *(July 2, 2004 CON Application, Page 16)*

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

Description	Year 1	Year 2	Year 3
Medicare	27.70%	27.70%	27.70%
Medicaid	5.92%	5.92%	5.92%
TriCare (CHAMPUS)	0.00%	0.00%	0.00%
<b>Total Government</b>	<b>33.62%</b>	<b>33.62%</b>	<b>33.62%</b>
Commercial Insurers	63.78%	63.78%	63.78%
Self-Pay	2.60%	2.60%	2.60%
Workers Compensation	0.00%	0.00%	0.00%
<b>Total Non-Government</b>	<b>66.38%</b>	<b>66.38%</b>	<b>66.38%</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.:

32. There is no state health plan in existence at this time. *(July 2, 2004 CON Application, Page 2)*
33. The Applicant has adduced evidence that the proposal is consistent with the Applicant's long-range plan. *(July 2, 2004 CON Application, Page 2)*
34. The Applicant has improved productivity and contained costs by undertaking energy conservation, reengineering, group purchasing and activities involving the application of new technology. *(July 2, 2004 CON Application, Page 11)*
35. The proposal will not result in any significant change to the Applicant's teaching and research responsibilities. *(July 2, 2004 CON Application, Page 12)*
36. There are no distinguishing or unique characteristics of the Applicant's patient/physician mix related to the proposal. *(July 2, 2004 CON Application, Page 12)*
37. The Applicant has sufficient technical, financial and managerial competence and expertise to provide efficient and adequate service to the public. *(March 16, 2004 CON Application, Exhibit C)*

## Rationale

The Office of Health Care Access (“OHCA”) approaches community and regional need for the proposed service on a case by case basis. Certificate of Need (“CON”) applications for magnetic resonance imaging services do not lend themselves to general applicability due to a variety and complexity of factors, which may affect any given proposal; e.g. the characteristics of the population to be served, the nature of the existing services, the specific types of services proposed to be offered, the current utilization of services and the financial feasibility of the proposed services.

Advanced Radiology Consultants, LLC (“Applicant”) proposes to acquire a high field open Magnetic Resonance Imaging (“MRI”) unit for its Stamford radiology practice location, at a total capital expenditure of \$2,096,000. The high field open MRI unit will be acquired through a lease. The Applicant will place the proposed high field open MRI unit at its existing radiology practice location at 1351 Washington Boulevard, Stamford, Connecticut. The Stamford office provides radiology, mammography, ultrasound, MRI and CT scanning. The Applicant proposes to replace the existing low-field open MRI unit in the Stamford Office with the proposed high field open unit and relocate the existing unit to one of the practice’s other locations. The proposed MRI unit will be installed in a separate physical space, which will allow the existing unit to remain in operation until the new unit has been installed and is fully operational. The Applicant is a provider of diagnostic imaging services in Fairfield County, with offices located in the towns of Bridgeport, Fairfield, Orange, Shelton, Stamford, Stratford and Trumbull, and the Applicant serves as the exclusive provider of radiology services to Bridgeport Hospital. The Applicant currently operates MRI scanners that include high field scanners and mid and low field open units. The Applicant’s primary service area for the proposed scanner will be similar to that which the Applicant currently serves in the Stamford location and includes the Connecticut towns of Stamford, Darien, New Canaan and Greenwich.

The MRI scanner under consideration is a 0.6 Tesla Fonar unit which provides the capability of undertaking studies in the sitting, standing or recumbent positions. Patients who have positional symptoms may be imaged more appropriately with this unit as it allows an unrestricted range of motion and may better show pathology related to patient position or weight bearing.

The Applicant is proposing to upgrade the current MRI unit in Stamford in order to improve quality, reduce waiting times, improve scheduling, meet projected increases in demand, recruit and retain skill technologists and increase accessibility. The higher field unit proposed will allow the Applicant to provide more complex examinations in an open environment, including MRI evaluation of the breast, peripheral vascular system, the abdomen and smaller joints.



There are currently no providers of high field open MRI services located in the Applicant's service area. In the Applicant's Connecticut service area, The Stamford Hospital and Greenwich Hospital provide MRI services using high field closed units. An entity affiliated with the Applicant, Fairfield County High Field Open MRI, LLC, has been granted a Certificate of Need for the acquisition of a high field open MRI unit for its Fairfield practice location. The Applicant has established referral patterns and patient base. The Applicant's Stamford practice location receives referrals from primary care physicians, orthopedists, neurologists, neurosurgeons, chiropractors, physiatrists and podiatrists. The Applicant anticipates that most of the patient volume for the proposed unit will come from the Applicant's existing patient/referral base. The Applicant further states that there will be minimal impact on existing providers of MRI examinations in the service area.

Although the proposed MRI scanner has positional capabilities, the CON proposal is based primarily on the need for additional high-quality MRI capacity and specifically, a high field open unit. The Applicant's low-field open MRI unit located in Stamford operates Monday through Friday from 8:30 a.m. to 5:00 p.m. The unit is scheduled to operate approximately 2080 hours annually. The existing unit's volume for FY 2003 was 2,636 which represents a 14.3% increase over FY 2002 volume. The existing unit's volume for FY 2004 is estimated to be 3,156, which is a 19.7% increase over FY 2003 volume. Based on an estimate of one hour per MRI exam for the existing MRI scanner, the Applicant states that annual exam hours for FY 2003 (2,636 hours) exceeded annual available hours (2,080 hours) and that the Stamford location is therefore exceeding its operating capacity. The Applicant states that it has reached the limits of its ability to add additional volume to its existing unit in Stamford through various process improvements.

Scan times will be faster with the proposed high field open MRI unit allowing the Applicant to increase patient throughput. The Applicant projects that time-per-scan will be reduced from one hour per examination to 40 minutes per examination, which would result in an average of four additional patients per day and allow for more expeditious urgent add-on cases without disrupting the patient schedule. The Applicant projects 2 to 3 additional patients per day, or 650 additional patients per year, can be examined with the implementation of this proposal. The Applicant projects incremental MRI scans at its Stamford office to be 130 in FY 2004, 780 in FY 2005 and 1,300 in FY 2006. The Applicant has a 10 percent rate of incomplete scans on its current closed unit due to claustrophobia. Acquisition of a high field open unit would allow excellent scans for these claustrophobic patients and diminish the need for patient sedation. Based on the foregoing, OHCA finds that the Applicant has demonstrated a clear public need for the proposal.

The Applicant intends to pursue American College of Radiology ("ACR") accreditation for the proposed MRI unit and intends to meet all of the requirements for ACR accreditation including, but not limited to, the credentialing of its subspecialty radiologists. The Applicant maintains a Quality Assurance Plan and employs a full-time Quality Assurance staff member. The MRI examinations to be performed on the proposed high field open MRI unit will be supervised and interpreted by sub-specialist radiologists with significant prior MRI interpretation experience. Advanced Radiology Consultants,

LLC has nine physicians who are Board Certified in MRI. The Applicant has implemented a distributed reading environment through the use of its Picture Archiving and Storage System. Each day a radiologist is at the Stamford practice location; however each patient's examination is interpreted by the appropriate subspecialty physician regardless of physical location. OHCA believes the CON proposal will improve the quality of open MRI services provided in the Stamford region.

The total capital expenditure of \$2,096,000 for the CON proposal will be funded by an equity contribution of \$420,000 from the Applicant's operating funds and by debt financing of \$1,676,000 through a conventional loan. The Applicant projects that its incremental open MRI scans will be 130 in FY 2004, 780 in FY 2005 and 1,300 in FY 2006 as a result of the implementation of the CON proposal. The Applicant projects incremental revenue over expense of \$33,545 in FY 2004, \$193,269 in FY 2005 and \$308,379 in FY 2006 due to the CON proposal. The Applicant's open MRI scan volume projections and the financial projections 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 Advanced Radiology Consultants, LLC to acquire a high field open MRI unit for its Stamford radiology practice location as a replacement of the existing MRI unit at that location, at a total capital expenditure of \$2,096,000, is hereby GRANTED.

## Order

Advanced Radiology Consultants, LLC (Applicant) is hereby authorized to acquire a high field open MRI unit for its radiology practice location at 1351 Washington Boulevard, Stamford, Connecticut, as a replacement of the existing MRI unit at that location, at a total capital expenditure of \$2,096,000, subject to the following conditions:

1. This authorization shall expire on November 18, 2005. Should the Applicant's high field open MRI unit 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 total capital expenditure of \$2,096,000. 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 CON project budget.
3. If the Applicant intends to operate the authorized high field open MRI unit at a location other than 1351 Washington Boulevard, Stamford, Connecticut, the Applicant is required to seek OHCA CON determination as to whether operation of the approved high field open MRI unit at any different location requires CON authorization.
4. This authorization requires the removal of the Applicant's existing MRI scanner from its Stamford radiology practice location. Furthermore, the Applicant will provide evidence to OHCA of the removal of the MRI scanner from that location by no later than three months after the replacement MRI scanner has become operational.
5. The Applicant is required to submit a Certificate of Need Determination Form 2020 specific to the relocation of the MRI unit currently in operation at the Stamford practice location prior to any relocation of that unit to any other Advanced Radiology Consultants, LLC or affiliated radiology practice location.

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

November 18, 2004

Signed by Cristine A. Vogel  
Commissioner

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