



Office Of Health Care Access Certificate of Need Application

Final Decision

Applicant: Prospect Diagnostic Imaging, LLC

Docket Number: 04-30311-CON

Project Title: Imaging equipment replacement and upgrade: CT scanner

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

Filing Date: September 20, 2004

Decision Date: October 1, 2004

Default Date: December 19, 2004

Staff Assigned: Paolo Fiducia

Project Description: Prospect Diagnostic Imaging, LLC (“Applicant”) proposes to replace its existing CT scanner, at a total capital expenditure of \$643,135. The Applicant intends to replace its existing Picker/Philips PQ 2000 CT scanner with a Toshiba Aquilion Super 4 CT scanner.

Nature of Proceedings: On September 20, 2004, the Office of Health Care Access (“OHCA”) received a completed Certificate of Need (“CON”) application from Prospect Diagnostic Imaging, LLC (“Applicant”) to replace its existing CT scanner, at a total capital expenditure of \$643,135. The Applicant is a health care facility or institution as defined by Section 19a-630 of the Connecticut General Statutes (“C.G.S.”).

A notice to the public regarding OHCA’s receipt of the Applicant’s Letter of Intent (LOI) to file its CON Application was published on June 24, 2004 in *The Waterbury Republican* (Waterbury). OHCA received no responses from the public concerning the Applicant’s proposal.

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. Prospect Diagnostic Imaging, LLC ("Applicant or PDI") is an imaging center located at 166 Waterbury Road, Prospect, Connecticut. *(September 20, 2004 CON Application, Page 1)*
2. PDI was established in 2002 and offers comprehensive imaging services including the modalities of Open MRI, CT, Diagnostic Radiology, Ultrasound, and Mammography. *(September 20, 2004 CON Application, page 5)*
3. PDI is a limited liability company whose sole member is Naugatuck Valley Radiology Associates, PC, (NVRA). *(September 20 CON Application, page 20)*
4. The Applicant proposes to replace its existing CT scanner at a total capital expenditure of \$643,135. The Applicant will replace its existing Picker/Philips PQ 2000 CT scanner with a Toshiba Aquilion Super 4 CT scanner. *(September 20, 2004 CON Application, page 5)*
5. The Picker/Philips CT scanner was purchased in 2002 for \$100,000. *(September 20, 2004 CON Application, page 5)*
6. PDI expects to dispose of the Picker/Philips PQ 2000 CT scanner within six months of the removal of the equipment. *(September 20, 2004 CON Application, page 11)*
7. PDI's primary and secondary service areas include Waterbury, Prospect, Cheshire, Wolcott, and Naugatuck. Residents from these towns represented 90% and 87% of total procedure volume in 2003 and the first 5 months of 2004, respectively. The remainder of procedure volume is generated from residents of 27 additional towns. *(September 20, 2004 CON Application, page 6)*
8. The Applicant proposes to upgrade and replace the Picker/Philips PQ 2000 CT scanner with a 4 Multi-Slice Toshiba Aquilion CT scanner for the following reasons:
 - The existing Picker/Philips CT scanner does not incorporate the latest imaging technology and is unable to perform the newer CT applications and procedures.
 - The technology incorporated in the existing Picker/Philips CT scanner is approximately 12 years old.

9. The equipment replacement and upgrade will enable PDI to continue to provide its existing patient base and established physician referral base with access to advanced quality imaging services as follows:
- The 4 multi-slice Toshiba CT scanner will enable PDI to respond to the expected increase in demand for CT services that is projected due to the aging of the population and continued advances in imaging technology and application
 - The replacement and upgrade of the CT scanner will improve operating efficiencies and better position PDI to respond to the national shortage of radiologists and radiology technologists.
 - The requested Toshiba CT scanner is expected to improve the Applicant's ability to accommodate CT scan demand through its faster throughput, reduced patient exam time, and advanced technology. *(September 20, 2004 CON Application, page 9)*
10. PDI's hours of operation for all modalities are Monday through Friday from 8:00 a.m. to 7:00 p.m. *(September 20, 2004 CON Application, page 5)*
11. The proposed CT scanner will be able to perform the following newer CT applications:
- CT Angiography
 - Colonoscopy
 - Cardiac Scoring
 - Multiple Plane Reconstruction
- (September 20, 2004 CON Application, page 8)*
12. The table below shows historical total CT scan growth at PDI. *(September 20, 2004 CON Application, page 7)*

Table 1: Historical CT scan procedures

CT Scans	2002	2003	2004 (1/1/04- 5/31/04)
Total	51	918	575

13. PDI states that in the current year, 2004, it projects a CT scan procedure volume of 1,380 scans, a 50% increase from its first year.
14. The Applicant's projected CT scan procedures for FY 2005, FY 2006, and FY 2007 are as follows: *(September 20, 2004, CON Application, page 13)*

Table 2: Projected CT scan procedures

CT Scans	FY 2005	FY 2006	FY 2007
Total	1,830	2,330	2,580

15. The number of CT scans projected for the first three years of operation is based on the following:
- Clinical and operating experience of PDI's radiologists and management;
 - Historical growth rate of CT services at PDI;
 - Referral and patient population bases; and
 - Capabilities of the requested Toshiba CT scanner.
- (September 20, 2004, CON Application, page 12)*
16. The Applicant stated that the incremental volume increases over FY 04 Projected Actual would represent a 50/50 split between procedures performed using existing equipment versus new CT Imaging technology. *(September 20, 2004, CON Application, page 12)*
17. According to the Applicant, in the first year of operation (FY 05), PDI would perform on the average an additional 9 scans per week above the current volume of the Picker/Philips CT Scanner. This increase is due not only to the faster throughput of the requested CT Scanner, but also the ability to provide the latest CT applications and procedures. In the second and third year of operation, volume is projected to increase an additional 10 and 5 scans per week respectively. *(September 20, 2004, CON Application, page 12)*

**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**

18. The CON proposal consists of the following capital cost components:

Table 3: Capital Cost Components

Description	Amount
Imaging Equipment (Purchase)	\$550,000
Construction/Renovations	\$48,450
Capitalized Financing Cost	\$44,685
Total Capital Exp. With Cap. Fin. Cost	\$643,135

(September 20, 2004 CON Application, page 21)

19. The total capital expenditure of \$643,135 will be funded through the Applicant's equity and a conventional loan. *(September 20, 2004 CON Application, page 25)*

20. The Applicant projects total facility revenue from operations, total operating expense and loss from operations incremental to the CON proposal due to non-cash expenses as follows: *(September 20, 2004 CON Application, exhibit 11)*

Table 4: Applicant's Total Facility Financial Projections for FY 2005, FY 2006 and FY 2007

Description	FY 2005	FY 2006	FY 2007
Incremental Revenue from Operations	\$81,000	\$171,000	\$216,000
Incremental Total Operating Expense	\$98,641	\$212,043	\$233,522
Incremental Loss from Operations	\$(17,641)	\$(41,043)	\$(17,522)

21. The Applicant projects with the proposal excess revenues of \$32,636, \$64,831, and \$115,860 for FY 2005, FY 2006, and FY 2007 respectively. *(September 20, 2004 CON Application, pages 38 & 39)*
22. The proposed renovations are minor and include changes to the electrical and HVAC systems and cosmetic alterations to the walls and floor finishes. The current room size, approximately 400 square feet will not change. These renovations are the results of either the removal of the existing equipment or the installation of the new CT scanner. The de-installation and the removal of the existing equipment and the installation and associated construction/renovation for the new equipment will take approximately two weeks to complete. During this period, PID' patients who require CT services will be transferred to other imaging providers operated by Naugatuck Valley Radiology Associates, P.C. or referred to another facility of the patient's choice. *(September 20, 2004, CON Application, page 22)*
23. The anticipated schedule of the proposal is as follows:

Table 5: Project Schedule

Activity	Date
Construction Commencement	February 14, 2005
Construction Completion	February 28, 2005
DPH Licensure	NA
Operations Date	March 1, 2005

(September 20, 2004 CON Application, page 23)

24. The Applicant's projected payer mix during the first three years of operation of the proposed CT scanner is as follows: *(September 20, 2004 CON Application, page 27)*

Table 6: Applicant's Three-Year Projected Payer Mix

Description	Current Payer Mix	Year 1	Year 2	Year 3
Medicare	24.8%	24.8%	24.8%	24.8%
Medicaid	3.1%	3.1%	3.1%	3.1%
Total Government	27.9%	27.9%	27.9%	27.9%
Commercial Insurers	71.2%	71.2%	71.2%	71.2%
Self-Pay	0.5%	0.5%	0.5%	0.5%
Workers Compensation	0.4%	0.4%	0.4%	0.4%
Total Non-Government	72.1%	72.1%	72.1%	72.1%
Total Payer Mix	100.0%	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.:

25. There is no state health plan in existence at this time. *(September 20, 2004 CON Application, Page 3)*
26. The Applicant has adduced evidence that the proposal is consistent with its long-range plan. *(September 20, 2004 CON Application, Page 4)*
27. The Applicant has improved productivity and contained costs by undertaking applications of technology. *(September 20, 2004 CON Application, Page 18)*
28. The proposal will not result in any change to the Applicant's teaching and research responsibilities. *(September 20, 2004 CON Application, Page 19)*
29. The Applicant states that the elderly comprise approximately 25% of the total patient population that receives comprehensive imaging services. *(September 20, 2004 CON Application, Page 19)*
30. The Applicant has sufficient technical, financial and managerial competence and expertise to provide efficient and adequate service to the public. *(September 20, 2004 CON Application, page 16)*

Rationale

Prospect Diagnostic Imaging, LLC (“Applicant”) proposes to replace its existing CT scanner. The technology incorporated in the existing Picker/Philips CT scanner is approximately 12 years old. The requested Toshiba CT scanner is expected to improve the Applicant’s ability to accommodate CT scan demand through its faster throughput, reduced patient exam time, and advanced technology.

The need for this CT Scanner replacement and upgrade is based on the Applicant’s existing outdated technology and equipment capacity. The Applicant performed 51, 918, and 575 CT scans procedures in FY 2002, FY 2003 and FY 2004 (1/104-5/31/04). This project will make available to PDI’s patients the latest CT technology and applications. It will provide access to a CT unit with a shorter scanning time, which is beneficial for PDI’s patients especially those who are elderly. Currently the existing Picker/Philips CT scanner limits PDI’s ability to accommodate expected future growth in procedures, to incorporate the latest imaging technology and to perform the newer CT applications and procedures. The proposed Toshiba CT scanner will enable PDI to appropriately respond to the expected increase in demand for CT services that is projected due to the aging of the population and continued advances in imaging technology and application. The proposed CT scan will be able to perform many newer CT applications such as CT Angiography, Colonoscopy, Cardiac Scoring, and Multiple Plane Reconstruction. Therefore, the proposed CT Scanner will enhance the quality of health care delivery in the region.

The Applicant projects an increase in CT Scan procedures of 1,830, 2,330, and 2,580 in FY 2005, FY 2006 and FY 2007, respectively with the CON proposal. The Applicant projects the incremental volume increase over FY 04 would represent a 50/50 split between procedures performed using the existing equipment and new CT Imaging technology. The Applicant projects on the average an additional 9 scans per week due to faster throughput and the provision of the latest CT applications and procedures. In the second and third year of operation, volume is projected to increase an additional 10 and 5 scans per week respectively. Based on the foregoing reasons, OHCA finds that there is a clear public need for the Applicant’s CON proposal, and the CON proposal will improve the accessibility of the CT service for existing patients.

The proposal’s total capital expenditure of \$643,135 will be funded through applicant’s equity and a conventional loan. The Applicant projects a loss of \$(17,641), \$(41,043) and \$(17,522) in FY 2005, FY 2006 and FY 2007, respectively incremental to the CON proposal due to non-cash expenses. The Applicant projects with the proposal excess revenues of \$32,636, \$64,831, and \$115,860 for FY 2005, FY 2006, and FY 2007 respectively. The Applicant proposes minor renovations which include changes to the electrical and HVAC systems and cosmetic alterations to the walls and floor finishes. The de-installation and the removal of the existing equipment and the installation and associated construction/renovation for the new equipment will take approximately two weeks to complete. During this period, PDI’s patients that require CT services will be transferred to other imaging providers operated by Naugatuck Valley Radiology Associates, P.C. or referred to another facility of the patient’s choice. Therefore, OHCA

finds that the CON proposal is both financially feasible and cost effective and in the best interests of consumers and payers.

Based upon the foregoing Findings and Rationale, the Certificate of Need application of Prospect Diagnostic Imaging, LLC to replace its existing CT Scanner, at a total capital expenditure of \$643,135, is hereby GRANTED.

Order

Prospect Diagnostic Imaging, LLC (“Applicant”) is hereby authorized to replace its existing CT scanner, at a total capital expenditure of \$643,135, subject to the following conditions:

1. This authorization shall expire on October 1, 2005. Should the Applicant’s CT scanner replacement 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 \$643,135. 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. The Applicant will provide evidence to OHCA of the disposition of the Applicant’s existing CT scanner by no later than six months after the replaced CT 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

October 1, 2004

Signed by Cristine A. Vogel
Commissioner

CAV: pf