



Office Of Health Care Access Certificate of Need Application

Final Decision

Applicant: Diagnostic Imaging of Southbury, LLC

Docket Number: 04-30312

Project Title: Imaging equipment replacement and upgrade: CT scanner

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

Filing Date: August 16, 2004

Decision Date: September 28, 2004

Default Date: November 14, 2004

Staff Assigned: Paolo Fiducia

Project Description: Diagnostic Imaging of Southbury, LLC (“Applicant”) proposes to replace its existing CT scanner, at a total capital expenditure of \$1,409,458. The Applicant intends to replace its existing Picker/Philips PQ 2000 CT scanner with a Toshiba Aquilion MS 16 CT scanner.

Nature of Proceedings: On August 16, 2004, the Office of Health Care Access (“OHCA”) received a completed Certificate of Need (“CON”) application from Diagnostic Imaging of Southbury, LLC (“Applicant”) to replace its existing CT scanner, at a total capital expenditure of \$1,409,458. 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 News Times* (Danbury). 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. Diagnostic Imaging of Southbury, LLC ("Applicant or DIS") is an imaging center located at 385 Main Street South Suite 209 Building 1, Southbury, Connecticut. *(August 16, 2004 CON Application, Page 1)*
2. DIS offers comprehensive services including the modalities of Radiography, Fluoroscopy, CT, MRI, Ultrasound including Cardiac and Vascular, Mammography, Bone Densitometry, and Nuclear Medicine. *(August 16, 2004 CON Application, page 5)*
3. DIS is a limited liability company comprised of the following members: St. Mary's Hospital, Naugatuck Valley Radiology Associates, PC, and Northeast Radiology, PC. *(August 16, 2004 CON Application, page 5)*
4. The Applicant proposes to replace its existing CT scanner at a total capital expenditure of \$1,409,458. The Applicant will replace its existing Picker/Philips PQ 2000 CT scanner with a Toshiba Aquilion MS 16 CT scanner. *(August 16, 2004 CON Application, page 2)*
5. The Picker/Philips CT scanner was authorized under CON Docket #97-572 in the Agreed Settlement dated 6/5/1998 and was purchased for \$384,000. *(August 16, 2004 CON Application, page 5)*
6. DIS plans to dispose the existing Picker/Philips PQ 2000 CT scanner. *(August 16, 2004 CON Application, page 5)*
7. The Applicant proposes to upgrade and replace the Picker/Philips PQ 2000 CT scanner with a 16 Multi-Slice Toshiba Aquilion CT scanner for the following reasons:
 - The existing Picker/Philips CT scanner is operating at 85% of its total capacity for volume and this limits DIS' ability to accommodate expected future growth in procedures.
 - 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 existing Picker/Philips CT scanner is approximately 5 years old and its technology is more than 10 years old.

8. The proposed equipment replacement and upgrade is needed for the following reasons:
- Enabling DIS to continue to provide its existing patient base and established physician referral base with access to advanced quality imaging services.
 - Enabling DIS 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.
 - Improving operating efficiencies and better position DIS to respond to the national shortage of radiologists and radiology technologists.
 - Improving the Applicant's ability to accommodate CT scan demand through its faster throughput, reduced patient exam time, and advanced technology. *(August 16, 2004 CON Application, page 6)*
9. The Applicant schedules CT scan procedures from 8:30 a.m. to 6:00 p.m. Monday through Friday and from 9:00 a.m. to 1:00 p.m. on Saturday. *(August 16, 2004 CON Application, page 8)*
10. The proposed CT scan will be able to perform the following newer CT applications:
- CT Angiography
 - Colonoscopy
 - Cardiac Scoring
 - 3D Imaging
 - Reduction Contrast Imaging
- (August 16, 2004 CON Application, page 8)*
11. The table below shows historical total CT scans growth at DIS. *(August 16, 2004 CON Application, page 11)*

Table 1: Historical CT scan procedures

CT Scans	2001	2002	2003
Total	1,706	2,152	3,280

12. The Applicant's projected CT scan procedures for FY 2004, FY 2005, FY 2006 and FY 2007 are as follows: *(August 16, 2004, CON Application, page 17)*

Table 2: Projected CT scan procedures

CT Scans	2004 (Projected Actual)	2005	2006	2007
Total	4,100	5,350	6,100	6,850

13. According to the Applicant, in the first year of operation (FY 05), DIS would perform on the average an additional 25 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 15 scans per week per year. *(August 16, 2004, CON Application, page 17)*

14. The proposed renovations include changes to the electrical and HVAC systems and cosmetic alterations to the walls and floor finishes. The current room size, approximately 600 square feet will not change. 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, DIS' patients who require CT services will be transferred to other imaging providers operated by Members of DIS or referred to another facility of the patient's choice. *(August 16, 2004, CON Application, page 27)*
15. The table below shows a breakdown of the construction costs: *(August 16, 2004, CON Application, page 27)*

Table 3: Breakdown of the construction cost

Renovations	Cost
Architectural/Engineering/Project Management	\$7,450
Demolition	\$3,000
Electrical	\$13,100
HVAC	\$12,500
Finishes	\$2,900
Rigging	\$5,700
Contingency	\$4,500
Total costs	\$49,150

16. The anticipated schedule of the proposal is as follows:

Table 4: Project Schedule

Activity	Date
Construction Commencement	December 20, 2004
Construction Completion	December 31, 2004
DPH Licensure	NA
Operations Date	January 3, 2005

(August 16, 2004 CON Application, page 28)

**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**

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

Table 5: Capital Cost Components

Description	Amount
Imaging Equipment (Purchase)	\$1,275,000
Construction/Renovations	\$49,150
Capitalized Financing Cost	\$85,308
Total Capital Exp. With Cap. Fin. Cost	\$1,409,458

(August 16, 2004 CON Application, page 26)

18. The Applicant's total capital expenditure of \$1,409,458 will be funded via applicant's equity and conventional loan. *(August 16, 2004 CON Application, page 30)*
19. The Applicant projects total facility revenue from operations, total operating expense and gains from operations with the CON proposal as follows: *(August 16, 2004 CON Application, exhibit 11)*

Table 6: Applicant's Total Facility Financial Projections for FY 2005, FY 2006 and FY 2007

Description	FY 2005	FY 2006	FY 2007
Revenue from Operations with CON Prop.	\$450,000	\$720,000	\$990,000
Total Operating Expense with CON Prop.	\$372,128	\$565,271	\$648,085
Gain from Operations with CON Prop.	\$77,872	\$154,729	\$341,915

20. The Applicant's projected payer mix during the first three years of operation of the proposed CT scanner is as follows: *(August 16, 2004 CON Application, page 32)*

Table 7: Applicant's Three-Year Projected Payer Mix

Description	Current Payer Mix	Year 1	Year 2	Year 3
Medicare	35.7%	35.7%	35.7%	35.7%
Medicaid	1.0%	1.0%	1.0%	1.0%
Total Government	36.7%	36.7%	36.7%	36.7%
Commercial Insurers	62.0%	62.0%	62.0%	62.0%
Self-Pay	0.6%	0.6%	0.6%	0.6%
Workers Compensation	0.7%	0.7%	0.7%	0.7%
Total Non-Government	63.3%	63.3%	63.3%	63.3%
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.:

21. There is no state health plan in existence at this time. *(August 16, 2004 CON Application, Page 3)*
22. The Applicant has adduced evidence that the proposal is consistent with the Hospital's long-range plan. *(August 16, 2004 CON Application, Page 4)*
23. The Applicant has improved productivity and contained costs by undertaking reengineering of operations and application of technology. *(August 16, 2004 CON Application, Page 22)*
24. The proposal will not result in any change to the Applicant's teaching and research responsibilities. *(August 16, 2004 CON Application, Page 23)*

25. The Applicant states that the elderly comprise approximately 36% of the total patient population that receives comprehensive imaging services. (*August 16, 2004 CON Application, Page 23*)

26. The Applicant has sufficient technical, financial and managerial competence and expertise to provide efficient and adequate service to the public. (*August 16, 2004 CON Application, page 20*)

Rationale

Diagnostic Imaging of Southbury, LLC (“Applicant”) proposes to replace its existing CT scanner, at a total capital expenditure of \$1,409,458. The Applicant intends to replace its existing Picker/Philips PQ 2000 CT scanner with a Toshiba Aquilion MS 16 CT scanner. The Applicant’s original Picker/Philips CT scanner was authorized under CON Docket #97-572 in the Agreed Settlement dated 6/5/1998 and was purchased for \$384,000. The existing Picker/Philips CT scanner is approximately 5 years old and its technology is more than 10 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 current procedure volume and equipment capacity. The Applicant performed 1,706, 2,152, and 3,280 CT scans procedures in FY 2001, FY 2002, and FY 2003. This project will make available to DIS’ patients the latest CT technology and applications. It will provide access to a CT unit with a shorter scanning time, which is beneficial for DIS’ patients especially those who are elderly. Currently the existing Picker/Philips CT scanner is operating at 85% of its total capacity for volume, which limits DIS’ ability to accommodate expected future growth in procedures, incorporate the latest imaging technology, and perform the newer CT applications and procedures. The 16 multi-slice Toshiba CT scanner will enable DIS 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, 3D Imaging, and Reduction Contrast Imaging. The Applicant projects an increase in CT Scan procedures of 5,350, 6,100, and 6,850 in FY 2005, FY 2006 and FY 2007, respectively with the CON proposal. The Applicant projects on the average an additional 25, 40, and 55 scans per week for FY 2005, FY 2006, and FY 2007 due to faster throughput and the ability to provide the latest CT applications and procedures. The new scanner will improve patient care in terms of the following: a reduction of patient examination times, a reduction of IV contrast, a wider aperture which is user friendly, and a lower table height in the industry which improves technician and patient safety. The replacement and upgrade of the CT scanner will improve operating efficiencies and better position DIS to respond to the national shortage of radiologists and radiology technologists. Based on the foregoing reasons, OHCA finds that there is a clear public need for the Applicant’s CON proposal, and that the CON proposal will improve the quality and accessibility of existing patients.

The proposal’s total capital expenditure of \$1,409,458 will be funded via applicant’s equity and conventional loan. The Hospital projects total facility gains from operations of \$77,872, \$154,729 and \$341,915 in FY 2005, FY 2006 and FY 2007, respectively with the CON proposal. The Applicant proposes renovations which include changes to the electrical and HVAC systems and cosmetic alterations to the walls and floor finishes. The current room size, approximately 600 square feet will not change. 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, DIS' patients that require CT services will be transferred to other imaging providers operated by Members of DIS or referred to another facility of the patient's choice. 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 Diagnostic Imaging of Southbury, LLC to replace its existing CT Scanner, at a total capital expenditure of \$1,409,458, is hereby GRANTED.

Order

Diagnostic Imaging of Southbury, LLC (“Applicant”) is hereby authorized to replace its existing CT scanner, at a total capital expenditure of \$1,409,458, subject to the following conditions:

1. This authorization shall expire on September 28, 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 \$1,409,458. 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

September 28, 2004

Signed by Cristine A. Vogel
Commissioner

CAV: pf