



## Office Of Health Care Access Certificate of Need Application

### Final Decision

**Applicant:** John Dempsey Hospital

**Docket Number:** 04-30341-CON

**Project Title:** Acquisition of a Replacement Fixed Open MRI Unit

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

**Filing Date:** November 8, 2004

**Decision Date:** November 29, 2004

**Default Date:** February 6, 2005

**Staff Assigned:** Steven Lazarus

**Project Description:** John Dempsey Hospital (“Hospital”) proposes to acquire a 0.6 Tesla Fixed Open Magnetic Resonance Imaging Unit to replace its existing mobile 1.5 Tesla MRI Unit at a total capital cost of \$1,458,550.

**Nature of Proceedings:** On November 8, 2004, the Office of Health Care Access (“OHCA”) received a Certificate of Need (“CON”) application from the Hospital for the acquisition of a replacement 0.6 Tesla Open Magnetic Resonance Imaging Unit at a total capital cost of \$1,458,500.

A notice to the public was published on August 10, 2004 in *The Hartford Courant* (Hartford). OHCA received no responses from the public concerning the Hospital’s proposal.

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 fully considered by OHCA in its review.

## Findings of Fact

### Clear Public Need

#### Impact of the Proposal on the Hospital'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. John Dempsey Hospital ("Hospital") is an acute care hospital located at 263 Farmington Avenue, Farmington, Connecticut. (*Certificate of Need Application, October 14, 2004, page 1*)
2. On November 29, 2001, the Hospital received a Certificate of Need ("CON") determination from the Office of Health Care Access ("OHCA") under Report Number 01-J3 which stated that no CON was required for the Hospital to lease and operate a mobile MRI unit at a total capital cost of \$397,500. (*CON Determination, November 29, 2001, pages 1 & 2*)
3. The Hospital currently operates two MRI units. Both MRI units are enclosed 1.5 Tesla systems and service all patients requiring MRI scans at the Hospital. One unit is located inside the Hospital's radiology suite. The Second is a leased mobile MRI unit that is attached to the main hospital building. (*Supplemental CON Information submitted by the Applicant, October 25, 2004*)
4. The Hospital proposes to replace its existing mobile 1.5 Tesla MRI unit with a fixed Phillips Panorama 0.6 Tesla MRI unit. (*Certificate of Need Application, October 14, 2004, page 2*)
5. The existing mobile MRI unit is leased through Alliance Medical Imaging and the lease agreement will expire in January 2005. (*Certificate of Need Application, October 14, 2004, page 2*)
6. The Hospital is planning to relocate most of its ambulatory radiology services to a new building on the University of Connecticut Health Center campus. The Hospital will lease space in the new building. The existing mobile MRI unit, which is now an appendage to the main hospital building will be removed and the proposed fixed open MRI unit will replace it in the new ambulatory suite. (*Certificate of Need Application, October 14, 2004, page 3 and Supplemental CON Information, October 25, 2004*)
6. The Hospital's primary service area includes towns of Avon, Bloomfield, Burlington, East Hartford, Farmington, Granby, Hartford, New Britain, Newington, Simsbury and West Hartford. (*Certificate of Need Application, October 14, 2004, page 3*)

7. The existing proposed hours of operation for its mobile MRI operation are Monday through Thursday, 7:00 a.m. to 11:00 p.m. and 7:00 through 6:00 p.m. on Friday. MRI services are available 24 hours a day for emergency cases. (*Certificate of Need Application, October 14, 2004, page 6*)
8. The hours of operation at the new building have yet to be established, however, they are expected to be in the range of 7:00 a.m. to 5:00 p.m. MRI outpatient services will be available during this time. For patients requiring an MRI during evening and weekends, the service will be performed at the main hospital building. (*Certificate of Need Application, October 14, 2004, page 6*)
9. The Hospital bases the need for the replacement Phillips Panorama 0.6 Tesla open MRI unit on the following:
  - Increased patient access;
  - Increased patient throughput; and
  - Improved image quality;(*Certificate of Need Application, October 14 2004, page 2*)
10. The proposed replacement open MRI unit utilizes a “C-Arm“ design which facilitates the following:
  - The side entrance, offers easier patient access and transfer on and off the exam couch;
  - Ease the anxiety of claustrophobic, elderly and obese patients;
  - Increased temporal resolution, producing sharp and clear images; and
  - Off center imaging provides for the anatomy being imaged to always be in the “sweet spot” of the magnet, which improves image quality.(*Supplemental CON Information submitted by the Applicant, October 25, 2004*)
11. The Hospital stated that patient throughput will be increase as well as image quality due to the following:
  - The proposed open MRI unit utilizes Philips SENSE (Sensitivity encoding) technology to decrease acquisition time, which reduces the need for patient breath holds while increasing patient throughput; and
  - The open system allows for ease and speed in positioning the patient compared to cylindrical systems that require the patient to be totally moved in and out of the magnet to reposition.(*Supplemental CON Information submitted by the Applicant, October 25, 2004*)
11. The Hospital reports the utilization for FYs 2002-2004 as follows:  
(*Certificate of Need Application, October 14, 2004, page 4*)

**Table 1: Historical Utilization**

<b>Year</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
Number of Scans	2,658	3,655	4,200

12. The historical utilization volumes presented above reflect only the number of MRI scans performed on the ambulatory patient types expected to migrate to the new ambulatory radiology suite. The data above does not include cases expected to remain for MRI services in the main building (i.e. inpatient scans, scan for patients requiring greater imaging capability than the proposed open MRI unit).  
*(Supplemental CON Information submitted by the Applicant, October 25, 2004)*
13. The Hospital projects an increase of 6% per year based on historical utilization. The utilization for FYs 2005-2007 is projected as following: *(Certificate of Need Application, October 14, 2004, page 6)*

**Table 2: Projected Utilization**

Year	2005	2006	2007
Total Number of Scans	4,452	4,719	5,002

**Financial Feasibility and Cost Effectiveness of the Proposal and its Impact on the Hospital's Rates and Financial Condition**

14. The Hospital proposes to lease the proposed open MRI unit at total capital cost of \$1,458,550. *(Certificate of Need Application, October 14, 2004, Page 11)*
15. The total capital cost will be funded through lease financing. *(Certificate of Need Application, October 14, 2004, Page 12)*
17. The Hospital projects an incremental loss from operations of \$(77,061) for FY 2005 but gain from operations of \$241,855 and \$287,799 for FYs 2006 and 2007, respectively. *(Revised CON Financial Proforma, November 8, 2004)*
18. The Hospital's financial projections report revenue with the project as follows: *(Certificate of Need Application, November 8, 2004, page 79)*

**Table 4: Hospital's Financial Projections**

Fiscal Year	Revenue Over Expense
2005	\$4,407,436
2006	\$5,270,346
2007	\$5,093,035

## 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. *(Certificate of Need Application, October 14, 2004, Page 2)*
20. The proposal is consistent with the Hospital's long-range plan. *(Certificate of Need Application, October 14, 2004, page 2)*
21. The proposal will not change the Hospital's teaching or research responsibilities. *(Certificate of Need Application, October 14, 2004, page 9)*
22. There are no distinguishing characteristics of the patient/physician mix with regard to its imaging services. *(Certificate of Need Application, October 14, 2004, page 10)*
23. The Hospital has improved productivity and contained costs through Group purchasing, re-engineering, application of technology and mercury removal. *(Certificate of Need Application, October 14, 2004, page 9)*
24. The Hospital has sufficient technical and managerial competence to provide efficient and adequate service to the public. *(Certificate of Need Application, October 14, 2004, page 8 and Exhibit 5)*
25. The Hospital's rates are sufficient to cover the proposed capital cost and operating costs. *(Certificate of Need Application, October 14, 2004, Financial Pro-forma, page 79)*

## Rationale

John Dempsey Hospital (“Hospital”) proposes to replace its existing 1.5 Tesla mobile MRI unit with a Phillips Panorama 0.6 Tesla Fixed Open MRI, at a total capital cost of \$1,458,550, to be located at its campus in Farmington. The Hospital’s primary service area includes towns of Avon, Bloomfield, Burlington, East Hartford, Farmington, Granby, Hartford, New Britain, Newington, Simsbury and West Hartford.

The Hospital bases its need for the replacement open MRI unit on increased patient volume and improved image quality. The proposed open MRI unit will utilize a “C-Arm” which offers easier patient access and utilizes Philips SENSE technology to decrease acquisition time, which will reduce the need for patients breath holds while increasing patient throughput. Acquisition of the replacement open MRI unit will ease the anxiety of claustrophobic, elderly and obese patients. Therefore, the proposed open MRI unit will enhance quality of the health care delivery in the region.

The Hospital performed 2,658 scans in 2002, 3,655 scans in 2003 and 4,200 scans in 2004. The Hospital projects a 6% increase annually in the number of scans performed, totaling 4,452 for 2005, 4,719 for 2006 and 5,002 for 2007. The projected utilization is based on historical utilization. Based on the foregoing reasons, OHCA finds that there is a clear public need for the Hospital’s CON proposal and the CON proposal will improve accessibility of the MRI service for existing patients.

The project is financially feasible. The project has a total capital cost of \$1,458,550, which will be financed through lease financing. The Hospital is projecting a loss from operations of \$(77,061) for FY 2005 but a gain from operations of \$241,855 for FY 2006 and \$287,799 for FY 2007. The Hospital also projects gains in revenues for total facility with the proposal of \$4,407,436 for FY 2005, \$5,270,346 for FY 2006 and \$5,093,035 for FY 2007. These projections appear to be both reasonable and achievable.

Based upon the foregoing Findings and Rationale, the Certificate of Need application of John Dempsey Hospital to replace its existing mobile MRI unit with a Phillips Panorama 0.6 Tesla Fixed Open MRI unit, at a total capital cost of \$1,458,550, is hereby GRANTED.

## Order

John Dempsey Hospital (“Hospital”) is hereby authorized to replace its existing mobile MRI unit with a Phillips Panorama 0.6 Tesla Fixed Open MRI unit located at its South Windsor office, at a total capital cost of \$1,458,550, subject to the following conditions:

1. This authorization shall expire on November 29, 2005. Should the Hospital’s 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 capital cost of \$1,458,550. 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 project budget.
3. This authorization requires the removal of the existing mobile MRI scanner and disposal of the unit within 30 days of implementing the new MRI scanner. Furthermore, the Hospital will provide evidence to OHCA of the final disposition of the Hospital’s existing MRI scanner, by no later than three months after the replacement MRI 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

November 29, 2004

Signed by Cristine A. Vogel  
Commissioner

CAV:sl