



## Office Of Health Care Access Certificate of Need Application

### Final Decision

**Applicant:** The Stamford Hospital

**Docket Number:** 04-30354-CON

**Project Title:** Relocation and Renovation of Darien Imaging Center

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

**Filing Date:** January 7, 2005

**Presiding Officer:** Cristine A. Vogel

**Decision Date:** March 7, 2005

**Default Date:** No Default Date

**Staff Assigned:** Steven Lazarus

**Project Description:** The Stamford Hospital (“TSH”) proposes to relocate and renovate the Darien Imaging Center presently located at 1500 Boston Post Road, Darien, Connecticut, at a total capital expenditure of \$3,546,256.

**Nature of Proceedings:** On January 7, 2005, the Office of Health Care Access (“OHCA”) received the Certificate of Need (“CON”) application from The Stamford Hospital (“TSH”) seeking authorization to relocate and renovate the Darien Imaging Center (“Center”), at a total capital expenditure of \$3,546,256. TSH 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 concerning OHCA’s receipt of the LOI was published pursuant to 19a-639 on August 18, 2004, in *The Advocate* (Stamford). OHCA received no comments from the public concerning the TSH’s proposal.

OHCA’s authority to review and approve, modify or deny this application is established by Section 19a-639, C.G.S. The provisions of these sections, 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. The Stamford Hospital ("TSH") is an acute care hospital located at 30 Shelburne Road, Stamford Connecticut. *(Letter of Intent, August 6, 2004)*
2. Darien Imaging Center ("Center") is a wholly owned subsidiary of TSH and is presently located at 1500 Post Road in Darien Connecticut. *(Letter of Intent, August 6, 2004)*
3. The Center currently offers the following services:
  - Ultrasound;
  - Analog Mammography;
  - MRI (utilizing 0.2 Tesla open unit); and
  - General X-Ray.*(Letter of Intent, August 6, 2004 and CON Application, January 7, 2005, page 2)*
4. TSH is proposing to relocate the Center from its existing location at 1500 Post Road in Darien, Connecticut to 85 Old Kings Highway in Darien. The location is 1.5 miles away from the existing location *(Letter of Intent, August 6, 2004 and CON Application, January 6, 2005, page 3)*
5. TSH is further proposing to simultaneously implement equipment upgrades for the facility, such as:
  - Replacing the ultrasound equipment;
  - Converting to digital mammography system instead of the present analog; and
  - Installing a 4-slice CT scanner.*(CON Application, page 2, January 7, 2005)*
6. TSH will be also replacing its existing 0.2 Tesla MRI unit with a 1.5 Tesla unit, which has received CON Waiver authorization under Docket Number 04-30369. *(CON Application, January 7, 2005, page 9)*
7. 80% of patients who receive services at the Center are residents of the towns of Stamford, Darien, New Canaan and Norwalk. *(CON Application, Page 7, January 7, 2005)*

8. The relocation of the Center to 85 Old Kings Highway is advantageous due to following:
- Close proximity to existing location;
  - Accommodate the expected volume growth and relieve congestion at its main campus in downtown Stamford and Tully Health Center;
  - Achieve optimal patient flow for the various imaging modalities offered at the Center;
  - Alleviate spatial constraints by increasing square footage of the facility from its present size of 2,400 square feet to 7,300 square feet alleviating;
  - Provide an additional 2,000 square foot of shell space (for a total of 9,300 square foot) to accommodate future expansion; and
  - Quadruple the number of parking spaces available to public  
*(Letter of Intent, August 6, 2004)*

9. The total number of procedures for the Center, for the past three Fiscal Years are as follows:

**Table 1: Total Procedures, FYs 2002-2004**

Year	Diag. Rad.	Mammography	MRI	Ultrasound	Total
FY 2002	771	3,147	1,207	2,762	7,887
FY 2003	565	2,521	717	1,508	5,311
FY 2004	574	2,191	427	1,819	5,011

*(CON Application, January 6, 2005, Exhibit A)*

10. The decline in the MRI and mammography volume is attributed to the fact that the days of operation at the Center were reduced from 5 days to 2 days per week in 2003. However, due to increased demand, the days of operation were increased to 5 days per week in late 2004. *(CON Supplemental filing dated January 7, 2005)*

11. TSH's capacity's analysis is as follows:
- Throughput by modality for units in operation at various ambulatory sites of TSH was quantified.
  - Equipment performance standards from equipment manufacturer's regarding standard throughput capabilities was obtained.
  - Maximum capacity per day (based on operating 50 hours per week) by individual piece of equipment was determined.
  - Maximum capacity per day times 250 days of operation to arrive at annual maximum volume for the facility.  
*(CON Supplemental filing dated December 21, 2004, page 1)*

12. The need analysis prepared by TSH assumes recapture of lost volumes from the Center and the transfer of procedure volumes from TSH and THC to the Center to project the following:

**Table 2: Projected Volumes (Years 1 – 5)**

Years	Existing Darien Center vol.*	Relocated volumes from THC & TSH**	Incremental Volume***	Total Projected Vol.
1	5,303	1,775	2,070	9,148
2	5,303	885	4,235	10,423
3	5,303	0	6,398	11,701
4	5,303	0	8,565	13,868
5****	5,303	0	10,729	16,032

**Note:** Following assumptions were used in projecting capacity for Years 1 through 5:

\*Accounts for volume at the existing Darien site;

\*\*Includes volume from the Tully Health Center (“THC”) and TSH;

\*\*\*Recaptures historical volumes;

\*\*\*\*Projects rates of 3.7% to 6.5% for Years 1 through 5; and

\*\*\*\*\*Projects 48% capacity by Year 5.

(CON Supplemental filing dated December 21, 2004, page 2 and CON Application, January 7, 2005, Exhibit C)

13. Other providers of imaging services in the Center’s service include Advanced Radiology Imaging Consultants, Norwalk Radiology & Digital Mammography Center, Norwalk Hospital Outpatient Radiology and Dr. Robert Russo & Associates Radiology. TSH does not expect to materially affect the existing providers. (CON Application, January 7, 2005, page 3)
14. The Center initially will operate Monday through Fridays, 8:00 a.m. to 4:00 p.m. and will expand hours as volumes increase. (CON Application, January 7, 2005, page 3)
15. TSH is currently American College of Radiology (“ACR”) accredited for the CT scanners at TSH and THC. TSH will apply for ACR accreditation for the new service at the proposed Center as soon as appropriate. (CON Application, January 7, 2005, page 5)

**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**

16. TSH's total capital expenditure of \$3,546,256 for the proposed relocation and renovation of the Center includes the following:

**Table 3: Total Capital Expenditure**

<b>Item</b>	<b>Cost</b>
Non-Medical Equipment	\$80,000
Construction/Renovation	\$2,507,426
Major Medical Equipment	\$958,830
<b>Total Capital Expenditure</b>	<b>\$3,546,256</b>

**Note:** Medical equipment being upgraded includes Ultrasound, Digital Mammography and a CT Scanner, each separately below the CON threshold.

*(CON Application, January 7, 2005, Page 9 and CON Supplemental, January 7, 2005)*

17. The renovation costs for the proposed CON are as follows:

**Table 4: Building Renovation Costs**

<b>Item</b>	<b>Cost</b>
Total Building Work Cost	\$2,028,926
Total Arch. & Eng. Costs	\$172,500
Total Contingency Costs	\$306,000
Total Building Work Cost	\$2,028,926
<b>Total Construction/Renov. Cost</b>	<b>\$2,507,426</b>

*(CON Application, January 7, 2005, page 10 and CON Supplemental January 7, 2005)*

18. The total capital expenditure will be funded by an equity contribution of \$3,546,256 from TSH's operating funds. *(CON Application, January 7, 2005, Page 10)*

19. TSH projects incremental gain from operations associated with the CON proposal as follows:

**Table 5: Projected Incremental Gain from Operations**

<b>Fiscal Year</b>	<b>Gain</b>
2005	\$1,213,000
2006	\$803,000
2007	\$1,358,000

*(CON Application, January 7, 2005, Exhibit M)*

## 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.:

20. There is no state health plan in existence at this time. (*CON Application, January 7, 2005 Page 2*)
21. THS has adduced evidence that the proposal is consistent with TSH's long-range plan. (*CON Application, January 7, 2005, Page 2*)
22. The TSH has improved productivity and contained costs by undertaking energy conservation, reengineering, group purchasing and through application of technology. (*CON Application, January 7, 2005, Page 7*)
23. The proposal will not result in any significant change to TSH's teaching and research responsibilities. (*CON Application, January 7, 2005, Page 7*)
24. There are no distinguishing or unique characteristics of TSH's patient/ physician mix related to the proposal. (*CON Application, January 7, 2005, Pages 7 and 8*)
25. TSH has sufficient technical, financial and managerial competence and expertise to provide efficient and adequate service to the public. (*CON Application, January 7, 2005, page 6 and Exhibit F*)
26. TSH's rates are sufficient to cover the proposed capital expenditure and operating costs associated with the proposal. (*CON Application, January 7, 2005, Exhibit M*)

## **Rationale**

The Office of Health Care Access (“OHCA”) approaches community and regional need for the proposed service on case by case basis. Certificate of Need (“CON”) applications do not lend themselves to general applicability due to a variety of 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.

The Stamford Hospital (“TSH”) proposes to relocate and undertake associated renovations to its Darien Imaging Center (“Center”) in Darien, Connecticut. The total capital expenditure associated with this proposal is \$3,546,256. The Center is a wholly owned subsidiary of TSH and is presently located at 1500 Boston Post Road in Darien, Connecticut. The Center currently offers services which include Ultrasound, Analog Mammography, MRI scanning (utilizing 0.2 Tesla open unit) and General X-Ray. TSH plans to relocate the Center from its current location of 1500 Boston Post Road in Darien to 85 Old Kings Highway in the same town. The new location is only 1.5 miles away from the current location. The relocation of the Center to the new location is advantageous due to the increased square footage that will occur. The new facility’s design will optimize the patient flow for various imaging modalities and include an additional 2,000 square of feet shell space to accommodate future expansion. TSH is also proposing to implement equipment upgrade to the Ultrasound equipment, converting the analog mammography system to a digital mammography system and installing a 4-slice CT scanner. This proposal will improve access and quality of imaging in TSH’s service area.

During FYs 2002-2004 the Center reported total procedure volumes of 7,887, 5,311 and 5,011 respectively. The decline in the number of procedures is attributed to reduction in days of operation from 5 to 2 in FY 2003. However, the Center’s days of operation were increased to 5 days per week in late 2004. The projected utilization of the Center is based on the Center’s existing volume which is augmented by the transfer of volume from the Tully Health Center and TSH. Based on the capture rates ranging from 3.7% to 6.5% for Years one through five, TSH projects total volume for the new location as 9,148, 10,423, 11,701, 13,868 and 16,032 for years one through five respectively. These projections appear to be reasonable and achievable.

The total capital expenditure for the proposed relocation and renovation is \$3,546,256. This includes \$80,000 for non-medical equipment, \$2,507,426 for renovations and \$958,830 for major medical equipment. With respect to the financial feasibility of the proposal, TSH projects incremental gains from operation of \$1,213,000, \$803,000 and \$1,358,000 for FYs 2005 through 2007 respectively. Based on the above, 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 The Stamford Hospital for the relocation and renovation of its Darien Imaging Center, at a total capital expenditure of \$3,546,256, is hereby GRANTED.

## **Order**

The Stamford Hospital (“TSH”) is hereby authorized to relocate and renovate the Darien Imaging Center (“Center”), at a total capital expenditure of \$3,546,256, subject to the following conditions:

1. This authorization shall expire on March 7, 2007. Should the relocation and renovations not be completed by that date, TSH must seek further approval from OHCA to complete the project beyond that date.
2. TSH shall not exceed the approved total capital expenditure of \$3,546,256. In the event that TSH learns of potential cost increases or expects that final project costs will exceed those approved, TSH shall file with OHCA a request for approval of the revised CON project budget.

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

March 7, 2005

Signed by Cristine A. Vogel  
Commissioner

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