



Office of Health Care Access Certificate of Need Application

Final Decision

Applicant: Greenwich Hospital

Docket Number: 04-30372-CON

Project Title: Acquisition of Replacement MRI and Establishment of Diagnostic Imaging Center

Statutory Reference: Sections 19a-638 & 19a-639 of the Connecticut General Statutes

Filing Date: November 29, 2004

Decision Date: March 14, 2005

Default Date: March 14, 2005 (with 30-day extension)

Staff Assigned: Paolo Fiducia

Project Description: Greenwich Hospital (“Hospital”) proposes to acquire a replacement MRI unit and establish a diagnostic imaging center (“DIC”) in Stamford, at a total capital cost of \$1,422,335.

Nature of Proceedings: On November 29, 2004, the Office of Health Care Access (“OHCA”) received a Certificate of Need (“CON”) application from Greenwich Hospital seeking authorization to acquire a replacement MRI unit and establish a diagnostic imaging center (“DIC”) in Stamford, at a total capital cost of \$1,422,335. The Hospital 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 Hospital’s Letter of Intent (LOI) was published on September 22, 2004 in *The Greenwich Times* (Greenwich). OHCA received no responses from the public concerning the Hospital’s proposal. On February 25, 2005 OHCA granted the Hospital’s request for a 15 day extension of the CON application review period, from February 27, 2005 to March 14, 2005.

OHCA's authority to review and approve, modify or deny the CON application is established by Sections 19a-638 and 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 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. Greenwich Hospital ("Hospital" or "GH") is an acute care general hospital located at 5 Perryridge Road in Greenwich, Connecticut. *(September 10, 2004 Letter of Intent, page 1)*
2. The Hospital proposes to acquire a replacement 1.5T MRI unit and establish a diagnostic imaging center ("DIC") in Stamford, at a total capital cost of \$1,422,335. *(November 29, 2004 CON Application, page 7)*
3. The proposed primary service area includes the towns of Darien, Greenwich, New Canaan, and Stamford. The DIC's secondary service area includes the towns of Fairfield, Norwalk, Ridgefield, Southport, Westport, and Wilton. *(November 29, 2004 CON Application, pages 8 & 9)*
4. The Hospital based the need for the acquisition of a replacement MRI unit and establishment of the DIC on the following:
 - High current MRI volume at GH
 - Projected high growth in outpatient MRI services
 - Reduce overcrowding at GH
 - Improved accessibility of MRI and imaging services to patients
 - Provision of cost-effective services*(November 29, 2004 CON Application, page 7)*

MRI

5. The Hospital has CON authorization to operate 3 MRI units. The Hospital has a contract with Alliance Imaging to operate a mobile 1.5 Tesla MRI unit. This mobile scanner will be replaced by the proposed MRI unit. The Hospital also operates one fixed 1.5 Tesla MRI magnet unit and under Docket Number: 04-30269 OHCA approved the Hospital for a fixed 3.0 Tesla MRI magnet. *(November 29, 2004 CON Application, page 7)*
6. The Hospital's on-campus Radiology Department has adequate space to operate two fixed MRI units (1.5T and 3.0T). *(November 29, 2004 CON Application, page 7)*

7. The docking pad currently used by the mobile unit will be eliminated with the construction of the Watson Pavilion. *(November 29, 2004 CON Application, page 7)*
8. Historical MRI volume at GH for the past three fiscal years by service area town is included in the table below:

Table 1: Hospital's total MRI volume at GH

Service Area Town	Scan Volume FY 2002	Scan Volume FY 2003	Scan Volume FY 2004
Primary Service Area:			
Darien	297	263	317
Greenwich	4,001	4,195	4,406
New Canaan	281	225	276
Stamford	1,188	1,137	1,151
Secondary Service Area:			
Fairfield	74	72	73
Norwalk	283	307	307
Ridgefield	52	50	46
Southport	18	2	0
Westport	71	82	68
Wilton	84	95	82

(November 29, 2004 CON Application, page 9)

9. The Hospital stated that total inpatient and outpatient MRI volume at the Hospital has increased 65% from FY 2000 to FY 2004 (estimated), as follows:

Table 2: Historical Total MRI Volume at GH

MRI Scans	2000	2001	2002	2003	2004 (estimated)
Total	5,341	6,998	7,965	8,225	8,828

(November 29, 2004 CON Application, page 27)

10. The projected MRI scan volume at GH and DIC is based on the following:

- Patients who require outpatient scans without any other related procedures (e.g. biopsies, etc.) and who live near the DIC location will be directed to schedule their MRI at the DIC location whenever possible.
- The two scanners (3.0T and 1.5T) located at GH will treat all inpatients, Emergency Department patients and outpatients.
- Maximum capacity, based on the current hours of operation, for the two machines at the Hospital is 4,880 scans per machine or a total of 9,760 scans.
- Total projected MRI scan volume is based on projections for overall outpatient service area growth.
- It is anticipated that the two hospital-based scanners will operate at full capacity (4,880 scans each) due to the fact that they have the latest technology and platforms. *(November 29, 2004 CON Application, page 29)*

11. The Hospital stated that outpatient MRI volume in the service area is expected to grow over 73% from FYs 2002 to 2007, a growth rate of approximately 14% per year, and inpatient volume is projected to grow 1% per year, as follows:

Table 3: FY 2007 Projected Total MRI Volume

Projected Outpatient-Service Area Volume	10,959
Projected Outpatient-Outside Service Area Volume	1,930
Projected Inpatient	857
Total MRI Volume –FY 2007	13,746

(November 29, 2004 CON Application, page 29)

12. The Hospital’s projected total MRI procedure volume for FYs 2005, 2006 and 2007 is as follows: *(November 29, 2004 CON Application, page 29)*

Table 4: Hospital’s Projected Total MRI Procedures

Description	FY 2005	FY 2006	FY 2007
Projected MRI Procedures: With the CON Proposal*	9,346	11,879	13,746
Projected MRI Procedures: Without the CON Proposal**	9,093	9,760	9,760
Projected MRI Procedures: Incremental to CON Prop. ***	253	2,119	3,986

Note: *Total 3 MRI units
 **Total 2 MRI units
 ***Fixed MRI unit at DIC

13. Projections for the MRI unit at the DIC for the first three years of operation are provided below: *(November 29, 2004 CON Application, page 29)*

Table 5: DIC Projected MRI Scan Volume

	FY 2005*	FY 2008	FY 2007
Total MRI Scans at DIC	495	2,119	3,986

*FY 2005 assumes only two months of operation

These projections are based on the total projected volumes for the Hospital. The two Hospital scanners will each perform 4,880 scans and the DIC MRI will perform the additional scans.

14. A listing of existing MRI providers in the proposed service area is provided in the table below: *(November 29, 2004 CON Application, page 29)*

Table 6: Existing MRI providers in the proposed service area

Business Name	City
Stamford Radiological Associates*	Stamford
Advanced Radiology Consultants	Stamford
Advanced Radiology Consultants	Fairfield
Stamford Radiological Associates	Stamford
Diagnostic Imaging Center	Stamford
Diagnostic Imaging Center	Darien
Norwalk Hospital Radiology	Norwalk
Norwalk Radiology Center**	Norwalk
Norwalk Open MRI	Norwalk

* Stamford Radiological Associates provides services for the Diagnostic Imaging Center at Stamford Hospital and the Diagnostic Imaging Center in Darien.

**The Norwalk Radiology Center provides services to Norwalk Hospital.

15. The Hospital stated that since the proposed MRI equipment will be used by existing GH patients there should be no effect on other providers in the service area. (November 29, 2004 CON Application, page 5)

DIAGNOSTIC IMAGING CENTER

16. The Hospital offers a full range of diagnostic imaging services which are currently provided on the main Hospital campus at 5 Perryridge Road in Greenwich, Connecticut. (November 29, 2004 CON Application, page 7)
17. The Hospital is proposing to establish an off-campus DIC in the city of Stamford. The DIC will be located in an existing building which is owned by the Perryridge Corporation, an affiliate of the Hospital. The DIC will be operated as a Hospital satellite. (November 29, 2004 CON Application, page 7)
18. The proposed DIC is located only 450 feet from the Greenwich border. The proposed location afforded the Hospital the opportunity to provide care in the most cost effective way possible due to the cost of real estate in Stamford which was significantly less than the cost of real estate in Greenwich. (March 9, 2005 Follow-up responses, page 2)
19. The proposed DIC will offer general radiology, MRI, CT, Ultrasound and Bone Densitometry (DEXA) services. (November 29, 2004 CON Application, page 7)
20. The Hospital stated that the target population for these services at DIC is area residents who already seek care at GH, who are in need of MRI services and who live within a reasonable distance to the DIC. A significant portion of patients are expected to utilize the DIC due to its geographic location, convenient and ample parking and hours of operation. (November 29, 2004 CON Application, page 7)
21. Projections for the services at the proposed DIC for the first three years of operation are provided below: (March 9, 2005 Follow-up responses, page 3)

Table 7: DIC Projected Services Volume

	FY 2005*	FY 2006	FY 2007
MRI Procedures	495	2,119	3,986
CT Procedures	656	2,100	2,205
Ultrasound Procedures	875	2,800	2,940
General Radiology Proc.	969	3,100	3,255
Bone Densitometry Proc.	250	800	840
Total Procedures	3,245	10,919	13,226

*FY 2005 assumes only two months of operation.

22. The initial hours of operation of the DIC will be Monday through Friday from 8 a.m. until 5 p.m. It is expected that by the second full year of operation (FY 2007), the hours will be expanded to 8 p.m. Monday through Friday and Saturday mornings will be added. (November 29, 2004 CON Application, page 10)

**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**

23. The Hospital's total capital expenditure of \$1,422,335 for the CON proposal includes the following capital expenditure components: *(November 29, 2004 CON Application, pages 17 and 18)*

Table 8: Hospital's Total Capital Expenditure for the CON Proposal

Description	Amount
Medical Equipment (Purchase)	\$ 952,335
Non-Medical Equipment (Purchase)	12,000
Construction and Renovations	452,000
Other Project Costs	6,000
Total Capital Expenditure	\$1,422,335

24. The CON proposal's total capital expenditure of \$1,422,335 will be financed via funded depreciation. *(November 29, 2004 CON Application, page 20)*

25. The proposed MRI unit will occupy space on the third floor of the building. The area requiring modification encompasses approximately 900 square feet. The proposed renovations will not affect the delivery of patient care. *(November 29, 2004 CON Application, pages 18 & 19)*

26. The Hospital projects (loss)/gains from operations with the project of (\$99,000), \$0 and \$499,000 in FY 2005, FY 2006 and FY 2007, respectively. *(November 29, 2004 CON Application, page 86)*

27. The DIC projects (loss)/gains from operations with the project of (\$316,000), \$551,000 and \$1,541,000 in FY 2005, FY 2006 and FY 2007, respectively. *(March 9, 2005 Follow-up responses, page 3)*

28. The Hospital stated that there is a small incremental operating loss in FY 2005 due to start up costs; however, with projected volume increases, there will be incremental operating gains. *(November 29, 2004 CON Application, page 23)*

29. The proposed MRI unit at the DIC is expected to become operational August 1, 2005, which coincides with the operational date for the new 3.0T MRI at the Hospital. The mobile MRI unit will remain operational until the DIC is fully constructed. *(November 29, 2004 CON Application, page 19)*

30. The Hospital stated that the proposed project has an additional 3 FTEs. *(November 29, 2004 CON Application, page 87)*

31. The Hospital's projected payer mix is as follows:

Table 9: Hospital's Three-Year Projected Payer Mix

Payer Mix	Year 1	Year 2	Year 3
Medicare	29%	29%	29%
Medicaid	1%	1%	1%
TriCare			
Total Government	30%	30%	30%
Commercial Insurers	61%	61%	61%
Self-Pay	7%	7%	7%
Workers Compensation	2%	2%	2%
Total Non-Government	70%	70%	70%
Uncompensated Care			
Total Payer Mix	100.0%	100.0%	100.0%

(November 29, 2004 CON Application, page 22)

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. *(November 29, 2004 CON Application, page 8)*
33. The Hospital has adduced evidence that the proposal is consistent with the Hospital's long-range plan. *(November 29, 2004 CON Application, page 2)*
34. The Hospital has improved productivity and contained costs by undertaking energy conservation and group purchasing activities. *(November 29, 2004 CON Application, page 15)*
35. The proposal will not result in any change to the Hospital's teaching and research responsibilities. *(November 29, 2004, CON Application, page 15)*
36. There are no distinguishing or unique characteristics of the Hospital's patient/ physician mix related to the proposal. *(November 29, 2004 CON Application, page 15)*
37. The Hospital has sufficient technical, financial and managerial competence and expertise to provide efficient and adequate service to the public. *(November 29, 2004 CON Application, page 14)*
38. The Hospital's rates are sufficient to cover the proposed capital expenditure and operating costs associated with the proposal. *(Financial Proforma, page 86)*

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.

Greenwich Hospital (“Hospital”) proposes to acquire a replacement MRI unit and establish a diagnostic imaging center (“DIC”) in Stamford, at a total capital cost of \$1,422,335. The Hospital based the need for the acquisition and replacement of the MRI unit and establishment of the DIC on the following: high current MRI volume at GH, projected high growth in outpatient MRI services, reduce overcrowding at GH, provision of cost-effective services, and improved accessibility of imaging services to its patients. The Hospital stated that the target population for this service is area residents who already seek care at GH, who are in need of imaging services and who live within a reasonable distance to the DIC. A significant portion of patients are expected to utilize the DIC due to its geographic location, convenient and ample parking and hours of operation.

The Hospital is proposing to establish an off-campus full service DIC in the city of Stamford. The DIC will be located in an existing building which is owned by the Perryridge Corporation, an affiliate of the Hospital. The DIC will be operated as a Hospital satellite. The DIC will offer general radiology, MRI, CT, Ultrasound and Bone Densitometry (DEXA) services. The Hospital projects DIC to perform 3,245, 10,919, and 13,226 total procedures in FY 2005, FY 2006 and FY 2007, respectively.

The Hospital has CON authorization to operate 3 MRI units. The Hospital has a contract with Alliance Imaging to operate a mobile 1.5 Tesla MRI unit. This scanner will be replaced by the proposed MRI unit. The Hospital also operates one fixed 1.5 Tesla MRI magnet unit and under Docket Number: 04-30269 OHCA approved the Hospital for a fixed 3.0 Tesla MRI magnet. The Hospital’s on-campus Radiology Department has adequate space to operate only two fixed units (1.5T and 3.0T). The mobile MRI unit is being replaced and relocated to Stamford because the docking pad currently used by the mobile unit will be eliminated with the construction of the Watson Pavilion. The establishment of the DIC in Stamford is necessary to allow the Hospital to continue to operate 3 MRI units (i.e., 1.5T MRI and 3.0T MRI at the Hospital campus, 1.5T MRI at the DIC).

The Hospital stated that outpatient MRI volume in the service area is expected to grow over 73% from FYs 2002 to 2007, a growth rate of approximately 14% each year. The projected MRI scan volume at the DIC is based on patients who require outpatient scans without any other related procedures (e.g. biopsies, etc.) and who live near the DIC location. They will be directed to schedule their MRI at the DIC location whenever possible. The two scanners (3.0T and 1.5T) located at GH will treat all inpatients, Emergency Department patients and outpatients. The Hospital projects to perform 13,746 MRI scans by FY 2007. Maximum capacity, based on the current hours of operation, for the two machines at the Hospital is 4,880 scans per machine or a total of 9,760 scans. The MRI unit at the DIC is projected to be

operational on August 1, 2005. Total projected MRI scan volume at GH and DIC is based on projections for overall outpatient service area growth. It is anticipated that the two hospital-based scanners will operate at full capacity (4,880 scans each) due to the fact that they have the latest technology and platforms. The MRI unit at DIC will perform the approximately 4,000 scans by FY 2007. Based on the foregoing reasons, OHCA finds that the CON proposal will improve the accessibility of the Hospital's MRI and outpatient diagnostic imaging services.

The proposal's total capital cost of \$1,422,335 will be financed via funded depreciation. The Hospital projects incremental MRI scans at DIC of 495 in FY 2005, 2,119 in FY 2006 and 3,986 in FY 2007. In addition, the Hospital projects (loss)/gains from operations with the project of (\$99,000), \$0 and \$499,000 in FY 2005, FY 2006 and FY 2007, respectively. The DIC projects (loss)/gains from operations with the project of (\$316,000), \$551,000 and \$1,541,000 in FY 2005, FY 2006 and FY 2007, respectively. Due to start up costs, there will be a small incremental loss in FY 2005, however with projected volume increases there will be incremental operating gains. The proposed MRI unit will occupy space on the third floor of the building. The area requiring modification encompasses approximately 900 square feet. The proposed renovations will not affect the delivery of patient care. The Hospital's volume 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 Greenwich Hospital to acquire a replacement MRI unit and establish a diagnostic imaging center ("DIC") in Stamford, at a total capital cost of \$1,422,335, is hereby GRANTED.

Order

Greenwich Hospital (“Hospital”) is hereby authorized to acquire a replacement MRI unit and establish a diagnostic imaging center (“DIC”) in Stamford, at a total capital cost of \$1,422,335, subject to the following conditions:

1. This authorization shall expire on September 14, 2006. Should the Hospital’s acquisition of a replacement MRI unit and establishment of the DIC 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 \$1,422,335. 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 CON project budget.
3. This authorization requires the termination of the Hospital’s mobile existing MRI unit. Furthermore, the Hospital will provide evidence to OHCA of the termination of the mobile MRI unit to be replaced by no later than six months after the fixed replacement MRI unit 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

March 14, 2005

Signed by Cristine A. Vogel
Commissioner

CAV:pf