



Office of Health Care Access Certificate of Need Application

Final Decision

Hospital: Saint Mary's Hospital

Docket Number: 04-30384-CON

Project Title: Replacement of Interventional Radiology Equipment

Statutory Reference: Section 19a-639, C.G.S.

Filing Date: January 14, 2005

Decision Date: March 14, 2005

Default Date: April 14, 2005

Staff Assigned: Tillman Foster

Project Description: Saint Mary's Hospital ("Hospital") proposes to replace its Interventional Radiology equipment at a total capital expenditure of \$1,255,201.

Nature of Proceedings: On January 14, 2005, the Office of Health Care Access ("OHCA") received a Certificate of Need ("CON") application from Saint Mary's Hospital seeking authorization to replace its Interventional Radiology ("IR") equipment, at a total capital expenditure of \$1,255,201. 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 regarding OHCA's receipt of the Hospital's Letter of Intent (LOI) to file its CON Application was published on October 22, 2004 in *The Waterbury Republican American* (Waterbury). OHCA received no responses from the public concerning the Hospital's proposal.

OHCA's authority to review and 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. Saint Mary's Hospital ("Hospital") is an acute care general hospital located at 56 Franklin Street in Waterbury, Connecticut. *(January 14, 2005 CON Application, page 1)*
2. The Hospital's primary service area includes the towns of Middlebury, Naugatuck, Prospect, Southbury, Thomaston, Waterbury, Watertown, Wolcott and Woodbury. *(Letter of Intent, October 13, 2004, page 2)*
3. The Hospital proposes to replace its 15 year old interventional radiology ("IR") equipment with a new Medical Imaging Systems, Inc. IR Suite. *(January 14, 2005 CON Application, page 3)*
4. The Hospital has identified the following deficiencies with the current IR equipment:
 - The current IR equipment is aging and becoming more difficult to maintain;
 - The current IR equipment exposes Radiologists and staff to levels of radiation in amounts far greater than the proposed new equipment on the market; and
 - Beginning later this year the current IR equipment vendor will no longer be supporting the equipment.*(January 14, 2005 CON Application, page 1)*
5. The Hospital stated that IR is an integral service. Many procedures performed support care pathways for the treatment of several disease and conditions, such as vascular disease, pain management and cancer. Procedures include peripheral angiography, AV shunt dialysis, central line insertion, discectomy, needle biopsy and other peripheral procedures. *January 14, 2005 CON Application, page 3)*
6. The Hospital stated that if it is unable to renovate the current IR Suite, it will be unable to continue providing the standard of care for its patients. This will disrupt its ability to provide care across a spectrum of services and thereby will create a barrier to access the care its patients currently receive. *(January 14, 2005 CON Application, page ii)*

7. The Hospital stated that the new IR Suite will allow Saint Mary's Hospital to develop a more comprehensive vascular service program, in addition to the services it currently provides. *(January 14, 2005, CON Application, Overview page ii)*
8. The Hospital reported the IR utilization for FYs 2002-2004 as follows:

Table 1: Historical and Actual IR Utilization

Year	2002	2003	2004
Procedure Volume	5,592	4,617	4,977
Cases	2,796	2,687	2,351

(March 4, 2005, Additional information filed)

9. The Hospital projects an increase in IR volume of 4% per year. The IR utilization for FYs 2005-2007 is projected as follows: *(Certificate of Need Application, January 14, 2005, page 3)*

Table 2: Projected Utilization

Year	2005	2006	2007
Procedure Volume*	4,823	5,016	5,217
Cases	1,933	2,010	2,090

* Based on the aging of the population, growing prevalence of vascular disease, 8-10% industry-wide annual increase in minimally invasive treatments, and the Hospital's annual growth rate of 16% over the last five years. *(January 14, 2005, CON Application, pages 3, i & ii)*

10. The Hospital determined that the implementation of the proposed IR equipment will improve patient care and provide safety and operational benefits as follows:
- Reduce the exposure of radiation to Radiologists and other staff members;
 - Quicker scanning and treatment time, which will improve throughput;
 - Ability to perform approved additional diagnostic and therapeutic procedures; and
 - A state-of-the-art platform for developing peripheral vascular service.
- (January 14, 2005, CON Application, pages 2 and 5)*
11. As more open surgical procedures move to an outpatient setting, the Hospital states that additional procedures will be approved to be performed in the IR Suite. The Hospital provided the example of the increase in the number of venous access procedures now being performed by interventional radiologists. The shifting of activities from the operating room to the IR Suite will continue as medicine evolves and new techniques are approved. *(January 14, 2005 CON Application, page 3)*
12. The hours of operation of the proposed IR Suite will be from 8:00 am to 5:30 pm, Monday through Friday. It will be available on an emergent call basis during the off hours. *(March 4, 2005, Additional information filed)*

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 Payers for Such Services

13. The proposed renovation of the Interventional Radiology Suite includes the following:

- New floors will be put in place after an asbestos abatement.
- Ceiling tiles will be replaced along with painting of the existing space.

(January 14, 2005, CON Application, page 10)

14. The Hospital's breakdown of the proposed total capital cost of \$1,255,201 for the CON proposal is as follows. *(January 14, 2005 CON Application, page 9)*

Description	Amount
Equipment (Fair market value)	\$ 48,786
Medical Equipment (Lease FMV)	956,415
Fair Market Value of Space	250,000
Total Capital Cost	\$1,255,201

15. The total capital cost will be funded entirely by the Hospital's operating funds.

(January 14, 2005 CON Application, page 11)

16. The Hospital projects a gain from total operations with the project of \$4,058,000, \$5,724,000 and \$7,122,000 in FY 2005, FY 2006 and FY 2007, respectively. *(January 14, 2005 CON Application, page 170)*

17. The Hospital's projected payer mix during the first three years of implementation and/or operation of the new system is as follows: *(January 14, 2005 CON Application, page 12)*

Payer Source	Current	Year 1	Year 2	Year 3
Medicare	34.9%	34.9%	34.9%	34.9%
Medicaid	11.6%	11.6%	11.6%	11.6%
TriCare (CHAMPUS)	0.0%	0.0%	0.0%	0.0%
Total Government Payers	46.5%	46.5%	46.5%	46.5%
Commercial Insurers	47.2%	47.2%	47.2%	47.2%
Self-Pay	0.0%	0.0%	0.0%	0.0%
Workers Compensation	6.2%	6.2%	6.2%	6.2%
Total Non-Gov. Payers	53.4%	53.4%	53.4%	53.4%
Uncompensated Care	0.1%	0.1%	0.1%	0.1%
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.:

18. There is no State Health Plan in existence at this time.
(January 14, 2005 CON Application, page 2)
19. The proposal is consistent with the Hospital's long-range plan.
(January 14, 2005 CON Application, page 2)
20. The Hospital has no teaching or research responsibilities that would be affected as a result of the proposal. *(January 14, 2005 CON Application, page 8)*
21. There are no distinguishing or unique characteristics of the Hospital's patient/physician mix related to the proposal. *(January 14, 2005 CON Application, page 8)*
22. The Hospital has implemented various activities to improve productivity and contain costs including energy conservation, reengineering of its operations, the application of new technology, group purchasing, product standardization, pharmacy standardization, utilization and inventory control.
(January 14, 2005 CON Application, page 7)
23. The Hospital has sufficient technical, financial and managerial competence to provide efficient and adequate service to the public.
(January 14, 2005 CON Application, pages 88-101)
24. The Hospital's rates are sufficient to cover the proposed capital cost and operating costs. *(January 14, 2005 CON Application, Financial Pro-forma, page 170)*

Rationale

The Office of Health Care Access (“OHCA”) approaches community and regional need for a proposed service on a 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.

Saint Mary's Hospital (“Hospital”) proposes to replace its Interventional Radiology (IR) equipment, at a total capital expenditure of \$1,255,201. The Hospital proposes to acquire a new Medical Imaging Systems, Inc. (“MIS”) IR Suite. The Hospital based the need to replace its current IR equipment on the age, availability and radiation exposure of the equipment. The current equipment is 15 years old and is becoming more difficult to maintain. It exposes Radiologists and staff to levels of radiation in amounts far greater than the proposed new equipment on the market. Also the vendor will no longer be supporting the equipment.

IR is an integral service in the hospital. Many procedures performed in the current IR Suite support care pathways for the treatment of several disease and conditions, such as vascular disease, pain management and cancer. The proposed replacement equipment will allow the Hospital to continue to provide the standard of care for its patients across a spectrum of services and will meet the growing needs of Interventional Radiology procedures. The new IR Suite will allow the Hospital to develop a more comprehensive vascular service program, in addition to the services it currently provides.

The implementation of the new Interventional Radiology Suite will improve patient care and provide safety and operational benefits. It will provide a safer environment by reducing the exposure of radiation to Radiologists and other staff members, providing quicker scanning and treatment time, allowing the Hospital the option of performing approved additional diagnostic and therapeutic procedures and providing the Hospital with a state-of-the-art platform for developing its peripheral vascular service. Therefore, OHCA finds that the proposed IR suite will improve the quality and accessibility of the IR service.

Over the last five years IR procedures performed at the Hospital have experienced an annual growth rate of 16%. The Hospital performed 5,592, 4,617, and 4,977 IR procedures in FYs 2002, 2003, and 2004, respectively. The Hospital projects a 4% increase annually in the number of IR procedures performed, totaling 4,823 in FY 2005, 5,016 in FY 2006 and 5,217 in FY 2007. The projected utilization is based on historical utilization, aging of the population, growth in vascular disease, and technology advancements. 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 IR service for existing patients.

The CON proposal's total capital expenditure of \$1,255,201 will be financed through an operating lease funded entirely by the Hospital's operating funds. The Hospital projects a gain from total operations with the project of \$4,058,000, \$5,724,000 and \$7,122,000 in FY 2005, FY 2006 and FY 2007, respectively. The Hospital's volume projections and the financial projections upon which they are based 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 Saint Mary's Hospital to replace its Interventional Radiology Equipment, at a total capital expenditure of \$1,255,201, is hereby GRANTED.

Order

Saint Mary's Hospital ("Hospital") is hereby authorized to replace its interventional radiology equipment at a total capital expenditure of \$1,255,201, subject to the following conditions:

1. This authorization shall expire on March 9, 2006. Should the Hospital's replacement of its Interventional Radiology equipment project not be fully implemented 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 expenditure of \$1,255,201. 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 interventional radiology equipment within 30 days of implementing the new interventional radiology equipment. Furthermore, the Hospital will provide evidence to OHCA of the final disposition of the Hospital's existing interventional radiology equipment by no later than three months after the interventional radiology equipment 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:tf