



Office of Health Care Access Certificate of Need Application

Final Decision

Applicants: Hartford Hospital
Jefferson X-Ray Group, P.C.

Docket Number: 05-30433-CON

Project Title: Proposal to Change the Ownership and Operation of Hartford Hospital's Freestanding, Mobile-Based MRI Service and Acquire a Fixed-Based MRI Scanning Unit for the MRI Service Located in Wethersfield, CT

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

Filing Date: August 15, 2005

Decision Date: November 23, 2005

Default Date: November 28, 2005 (with 15 day review period extension granted)

Staff Assigned: Jack A. Huber

Project Description: Hartford Hospital ("Hospital") and Jefferson X-Ray Group, P.C. ("JXG"), propose to change the ownership and operation of the Hospital's freestanding, mobile-based magnet resonance imaging ("MRI") service and acquire a fixed-based MRI scanning unit for the service located in Wethersfield, Connecticut, at an estimated total capital cost of \$2,462,241.

Nature of Proceedings: On August 15, 2005, the Office of Health Care Access ("OHCA") received from Hartford Hospital ("Hospital") and Jefferson X-Ray Group, P.C. ("JXG"), collectively termed the "Applicants", a Certificate of Need ("CON") application seeking authorization to change the ownership and operation of the Hospital's freestanding mobile-based MRI service and acquire a fixed-based MRI scanning unit for the service located in Wethersfield, Connecticut, at an estimated total capital cost of \$2,462,241. The Applicants are health care facilities or institutions as defined by Section 19a-630 of the Connecticut General Statutes ("C.G.S.").

Pursuant to Sections 19a-638 and 19a-639, C.G.S., a notice to the public concerning OHCA's receipt of the Applicants' Letter of Intent was published in *The Courant* of Hartford on February 13, 2005. OHCA received no responses from the public concerning the Applicants' proposal. The Applicants requested and were granted a fifteen day extension of the CON application's ninety day review period, extending the default date of the CON application's review period from November 13, 2005 to November 28, 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 Applicants' 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. Hartford Hospital ("Hospital") is an acute care general hospital, located at 80 Seymour Street in Hartford, Connecticut. (*June 7, 2005, CON application, page 1*)
2. The Hospital has been the sole operator of a freestanding, mobile-based magnetic resonance imaging ("MRI") service located at 1260 Silas Deane Highway in Wethersfield, since the program's inception in 2000. The Office of Health Care Access ("OHCA") approved the service under Docket Number: 99-513 in 1999. (*June 7, 2005, CON application, page 3 and July 29, 1999, OHCA Final Decision under Docket Number: 99-513, pages 3, 6 & 7*)
3. Jefferson X-Ray Group, P.C., ("JXG") is a private radiological group with practice sites throughout the greater Hartford area. The Hospital and JXG, collectively termed the "Applicants", have worked collaboratively for over forty years. (*June 7, 2005, CON application, pages 1 & 8*)
4. JXG currently provides professional services at the Hospital's main campus facility and the Hospital's MRI service in Wethersfield. JXG independently operates freestanding, fixed-based MRI services in Glastonbury and West Hartford. (*January 26, 2005, Letter of Intent, pages 1 & 8*)
5. The Applicants propose to change the ownership and operation of the Hospital's Wethersfield MRI service by undertaking the following project objectives: (*June 7, 2005, CON application, pages 1 through 14 & Attachment M, pages 374 through 395 and CON Completeness Response, pages 1 & 2*)
 - Formation of a joint venture arrangement between the Hospital and JXG that establishes the Connecticut Imaging Partners, a for-profit, limited liability company, which will continue the operation of the existing Wethersfield MRI service;
 - Termination of the Hospital's existing service agreement with its mobile MRI vendor;

- Acquisition of a new fixed-based, General Electric, Signa Echosped, 1.5 Tesla-Strength, magnetic resonance imaging system;
 - Renovation of additional service space to accommodate the proposed fixed-based MRI scanner at the 1260 Silas Deane Highway, medical services building in Wethersfield; and
 - Expansion in the availability of MRI services from one day (at 10 hours) per week to six days (at 78.5 hours) per week.
6. On May 10, 2005, the Applicants established Connecticut Imaging Partners, LLC (“CIP”) with each participant owning a 50% interest in the joint venture. CIP will conduct business under its own name and will be managed initially by Hartford Hospital. Jefferson X-Ray Group will provide professional and billing services for CIP. *(June 7, 2005, CON application, page 12 & Attachment G, Schedule 1, page 283 and July 26, 2005, CON Completeness responses, pages 8 & 9)*
 7. JXG operates a radiological office at 1260 Silas Deane Highway, Suite 104 in Wethersfield that provides general radiology, mammography, computed tomography (“CT”) scanning, ultrasound, and bone density services. *(June 7, 2005, CON application, page 15 and Attachment J, pages 353 through 357)*
 8. JXG has leased Suite 100, which contains approximately 4,435 square feet (“SF”) of space adjacent to its current imaging office. Suite 100 will be utilized for the following purposes: *(June 7, 2005, CON application, page 15 and Attachment J, pages 353 through 357)*
 - To sublet approximately 2,165 SF to CIP for the proposed fixed-based MRI service;
 - To relocate JXG’s existing CT scanning service from Suite 104 to Suite 100; and
 - To expand JXG’s support space for its Suite 104 imaging services.
 9. The Applicants indicate that the population currently served by the Hospital’s existing service will constitute the proposed target population. The primary service area towns include Wethersfield, Hartford, Rocky Hill, Newington, Berlin and Cromwell. Secondary service area towns include East Hartford, Glastonbury and Middletown. *(January 26, 2005, Letter of Intent, page 9 and June 7, 2005, CON application, page 5)*
 10. The Applicants presented the following factors relating to the need for the proposal: *(June 7, 2005, CON application, pages 2 through 6)*
 - The commitment of the Hospital and JXG in working toward improved efficiency in providing quality patient care through the development of a new business model;
 - Projected MRI volumes in the service area utilizing a population-based MRI model; and
 - Growth in MRI services at the JXG’s Glastonbury MRI facility.
 11. The actual MRI scanning volumes for the existing MRI mobile-based scanning service in Wethersfield from fiscal year (“FY”) 2002 through fiscal year-to-date (“FYTD”) 2005, is as follows: *(June 7, 2005, CON application, page 5 and July 26, 2005, CON Completeness responses, pages 1 through 5)*

Table 1: Actual Mobile-Based MRI Service Volumes

Description	FY 2002	FY 2003	FY 2004	FYTD 2005
Annual Service Volume Totals	470	376	171	256
% Growth Between Fiscal Years	--	(20%)	(55%)	50%

12. The Applicants attribute the significant decreases in MRI service volume at the existing Wethersfield service for fiscal years 2002/2003 and 2003/2004 based on JXG opening fixed-based, MRI services within the towns of Glastonbury in October 2002 and West Hartford in March 2003. *(June 7, 2005, CON application, page 5 and August 15, 2005, CON Completeness response, page 1)*

13. The projected MRI scanning volume for the first three operating years of the proposed fixed-based MRI scanning service is as follows: *(June 7, 2005, CON application, page 9)*

Table 2: Projected Fixed-Based MRI Service Volumes

Description	Year 1	Year 2	Year 3
Annual Service Volume Totals	2,050	3,500	4,725
% Growth Between Fiscal Years	--	71%	35%

14. The Applicants indicate that the projected MRI service volumes are based on JXG's start-up experience with its Glastonbury and West Hartford MRI offices. *(June 7, 2005, CON application, page 9 and Attachment N, page 397)*

15. The Applicants projected service volumes in the primary and secondary service areas by extrapolating data from a population-based MRI model. The model selected by the Applicants utilized the following data parameters. The assumptions used in the calculations of these service parameters could not be verified due to the claimed proprietary nature of this data. *(June 7, 2005, CON application, pages 2 through 4 and Attachment A, pages 20 through 42)*

- Population data from the Connecticut Economic Resource Center;
- A 2004 Connecticut MRI use rate of 89.5 scans per 1,000 population, based upon a 2004 MRI Benchmark Report - a survey report performed by IMV Medical Information Division, Inc. ("IMV report") with a calculated 2006 projected CT MRI use rate of 95.0 scans per 1,000 population; and
- Annual average increase of 3% in the nationwide demand for MRI services.

16. The Applicants applied the population-based methodology to the proposed primary service area ("PSA"), secondary service area ("SSA") and total service area (i.e. PSA +SSA) to substantiate its need for the proposal. The following results were derived from utilizing the Applicants' selected data parameters and the proposed towns comprising the Applicants' primary and total service areas ("TSA"): *(June 7, 2005, CON application, pages 2 through 4 and Attachment A, pages 20 through 42 and OHCA staff calculation)*

Table 3: Key Measurements and Resulting Statistics Regarding Need for the Proposal

Measurement Description	PSA	TSA
1. Projected service area population in individuals for 2006*	233,866	363,609
2. Projected CT MRI use rate: number of annual scans per 1,000 population**	95	95
3. Projected # annual scans for the service area (population x .095)	22,217	34,543
4. # Current MRI units in the prescribed service area	4.2	9
5. Projected # annual scans per MRI unit (Projected annual scans / # MRI units)	5,290	3,838

Notes: *Town population projections for each service area were provided from information the Applicants received through the Connecticut Economic Resource Center. The assumptions used in the formulation of the 2004 population figures and in the projections of the 2006 population could not be verified due to the claimed proprietary nature of this data. (June 7, 2005, CON application, pages 2 through 4)

** The source of the use rate ratio used by the Applicants was taken from a 2004 MRI Benchmark Report - a survey report performed by IMV Medical Information Division, Inc. The assumptions used in the calculations of these service parameters could not be verified due to the claimed proprietary nature of this data. (June 7, 2005, CON application, pages 2 through 4 and Attachment A, pages 20 through 42)

17. The Applicants' need evaluation for magnetic resonance imaging services in the proposed service areas did not contain the following: (June 7, 2005, CON application, pages 2 through 4 and Attachment A, pages 20 through 42)

- Source documentation relating to the 2004 service area population by town and 2006 service area population projection by town; and
- Substantiation that the Applicants' assertion that the MRI use rate, based on an estimated Connecticut average number of annual MRI scans per 1,000 individuals, would be applicable to or representative of the anticipated MRI use rate for the proposed service areas.

18. JXG has experienced the following MRI service volumes at its Glastonbury imaging facility for calendar years ("CY") 2001 through 2004, utilizing a fixed-based MRI scanner with a magnet strength of 1.5 Tesla: (June 7, 2005, CON application, page 6)

Table 4: Actual MRI Service Volume for JXG's Glastonbury Imaging Facility

Description	CY 2001	CY 2002	CY 2003	CY 2004
Annual MRI Service Volume Totals	1,735	2,313	4,741	5,934
% Growth Between Fiscal Years		33%	105%	25%

19. The Applicants indicate that as JXG's Glastonbury MRI facility has been approaching full capacity, JXG has had to expand its operating hours by adding Friday nights and all day Saturday and Sunday operating hours. (June 7, 2005, CON application, pages 2 & 6 and July 26, 2005, CON Completeness response, page 6)

20. The Applicants presented the following list of current service area providers: (June 7, 2005, CON application, page 8)

Table 5: Current Service Area MRI Providers

Service Description	Provider	Operating Schedule*	Current Utilization**
Primary Service Area			
Open	CT Valley Radiology Hartford	9 Hours	Unknown
Short Bore – 1.5 Tesla (“T”)	St. Francis Hospital Hartford	7 Days, 16 Hrs./Day	Unknown
Short Bore – 1.5 T Echo Speed	Hartford Hospital Hartford	Tues-Sat. 24 Hrs./Day 3 rd Shift 1 Unit Sat-Mon 16 Hrs./Day	90%
Short Bore – 1.5 T Twin Speed			
Short Bore – 1.5 T Mobile	Hartford Hosp. Hartford	1 Day, 10 Hrs./Day	10%
Secondary Service Area			
Open	Mandell & Blau Glastonbury	5 Days, 13 Hrs./Day	Unknown
Short Bore – 1.5 T Twin Speed	Jefferson X-Ray Grp. Glastonbury	5 Days, 14 Hrs./Day 2 Days, 8 Hrs./Day	84%
Open	Jefferson X-Ray Grp. Glastonbury	3 Days, 14 Hrs./Day 2 Days, 10 Hrs./Day 1 Day, 5 Hrs./Day	60%
Short Bore	Middlesex Hospital Middletown	5 Days, 9 Hrs./Day	Unknown
Long Bore	Marlboro Radiology Middletown	5 Days, 9 Hrs./Day	Unknown

* Number of days per week and hours per day the service is operational.

** Percentage of time scanner is utilized.

21. The Applicants indicate that the proposal will have minimal impact on existing providers of MRI services within the area to be served. *(June 7, 2005, CON application, page 8)*

**Financial Feasibility and Cost Effectiveness of the Proposal and its Impact on the Applicants’ Rates and Financial Condition
 Impact of the Proposal on the Interests of Consumers of Health Care Services and the Payers for Such Services
 Consideration of Other Section 19a-637, C.G.S. Principles and Guidelines**

22. The project’s estimated total capital cost is \$2,462,241 and is itemized as follows: *(June 7, 2005, CON application, page 14)*

Table 6: Total Capital Cost Itemization

Description	Cost
Fair Market Value of the Proposed MRI Scanner	\$1,693,623
Renovation Work to Accommodate Proposed MRI Scanner	564,170
Medical and Non-Medical Equipment	97,010
Sale Tax relating to Scanner Procurement	107,438
Project's Total Capital Cost	\$2,462,241

23. The Hospital and JXG will each contribute \$550,000 in operating funds toward the financing of the project. *(June 7, 2005, CON application, page 16)*

24. The Applicants project incremental revenue from operations, total operating expenses and loss/gain from operations associated with the first three years of operating the proposed fixed-based service as follows: *(June 7, 2005, CON application, Attachment N, page 401)*

Table 7: Incremental Financial Projections for Operating Years 1 through 3

Description	Year 1	Year 2	Year 3
Incremental Revenue from Operations	\$1,636,250	\$2,932,500	\$3,973,750
Incremental Total Operating Expenses	\$1,717,921	\$2,591,860	\$3,152,832
Incremental (Loss)/Gain from Operations	(\$81,671)	\$340,694	\$820,918

25. The projected payer mix for the first three years of operating the proposed service is found in the following table: *(June 7, 2005, CON application, page 18)*

Table 8: Three-Year Projected Payer Mix of the Proposed Service

Payer Mix	Year 1	Year 2	Year 3
Medicare	40.1%	40.1%	40.1%
Medicaid	1.1%	1.1%	1.1%
TriCare (CHAMPUS)	--	--	--
Total Government	41.2%	41.2%	41.2%
Commercial Insurers	51.1%	51.1%	51.1%
Uninsured	.4%	.4%	.4%
Worker Compensation	.3%	.3%	.3%
Total Non-Government	58.9%	58.8%	58.8%
Total Payer Mix	100.00%	100.00%	100.00%

26. There is no State Health Plan in existence at this time. *(June 7, 2005, CON application, page 2)*

27. Each of the Applicants has adduced evidence that the proposal is consistent with their respective long-range plan. *(June 7, 2005, CON application, page 2)*

28. The Applicants did not demonstrate that the proposal will improve productivity or contain costs within the area to be served. *(June 7, 2005, CON application, pages 2 through 19)*

29. The proposal will not result in any change to the teaching or research responsibilities of either Applicant. *(June 7, 2005, CON application, page 11)*

30. The proposed patient/physician mix will be similar to that of other freestanding MRI imaging centers. *(June 7, 2005, CON application, page 12)*

31. The Applicants have provided evidence that demonstrates they possess sufficient technical, financial and managerial competence and expertise to provide efficient and adequate service to the public. *(June 7, 2005, CON application, page 1 and Attachment C, pages 128 to 212)*
32. The proposed MRI service rates are sufficient to cover the proposed capital expenditure and operating costs associated with the proposal, if projected MRI service volumes can be met. *(June 7, 2005, CON application, page 19 and Attachment P, page 409)*

Rationale

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

Hartford Hospital (“Hospital”) is an acute care general hospital, located at 80 Seymour Street in Hartford, Connecticut. Since 2000, the Hospital has been the sole operator of a freestanding, mobile-based magnetic resonance imaging (“MRI”) service in Wethersfield. Jefferson X-Ray Group, P.C., (“JXG”) is a private radiological group with practice sites throughout the greater Hartford area. JXG has worked collaboratively with the Hospital for many years and currently provides professional services at the Hospital’s MRI service in Wethersfield.

The proposal of the Hospital and JXG, collectively termed the “Applicants”, is to change the ownership and operation of the Hospital’s Wethersfield MRI service and to acquire a fixed-based MRI scanning unit for the service. The Applicants propose to establish Connecticut Imaging Partners (“CIP”), a for-profit, joint venture limited liability company, which will continue the operation of the existing MRI service at the 1260 Silas Deane Highway site in Wethersfield. Each participant will possess a 50% ownership interest in CIP. Additionally, the request proposes to achieve the following program objectives: terminate the Hospital’s existing service agreement with its mobile MRI vendor, acquire a General Electric, fixed-based, 1.5 Tesla-strength MRI scanning system, renovate 2,165 square feet of additional space to accommodate the proposed system and expand the availability of the MRI service from one day (at 10 operating hours) per week to six days (at 78.5 operating hours) per week. CIP, the proposed operating entity, was formed on May 10, 2005, and will conduct business under its own name. The Hospital will initially manage CIP, while JXG will provide professional and billing services.

The need for the proposal is based on the following: commitment of the Applicants in working toward improved efficiency in providing quality imaging services through the development of a new business model, projected MRI utilization in the service area, and growth in MRI services at the JXG’s Glastonbury MRI facility. The proposal indicates a willingness of the participants to enter into a new collaborative venture. OHCA finds that this collaborative model will enhance the accessibility and quality of the MRI service offered in Wethersfield. Based on these findings, OHCA concludes that the proposed joint venture arrangement should be approved.

OHCA finds, however, that actual service volumes at the Wethersfield MRI facility are not sufficient to support the need for the proposed operational change from a mobile-based to a fixed-based MRI configuration. Actual service volumes were 470, 376, 171 and 256 scans for fiscal year (“FY”) 2002 through fiscal year-to-date (“YTD”) 2005. Consequently, OHCA questions the need for the proposed fixed-based MRI installation based upon the historically low annual service volumes attained by the existing operation. Furthermore, the projected MRI service volumes for the first three operating years of the proposed fixed-based MRI service are 2,050, 3,500 and 4,725 scans. OHCA finds the projections are not verifiable and do not appear to be achievable when compared to actual MRI service volumes attained by the Hospital. OHCA concludes that the Applicants have not produced verifiable evidence to establish that projected annual MRI service volumes for the proposed Wethersfield MRI facility are reasonable or achievable, or that the proposed change in MRI service operation is sustainable or prudent.

OHCA further finds that the evidence that JXG’s Glastonbury freestanding MRI facility is approaching service volume capacity also lacks verifiable documentation. The relative proximity of the existing Wethersfield MRI facility to the Glastonbury MRI facility, coupled with the availability of several other MRI service providers in the Wethersfield MRI facility’s service area, leads OHCA to further question the need for the proposed fixed-based MRI installation. Consequently, OHCA concludes that the Applicants have not substantiated the need for the proposed change in MRI service operation.

Finally, OHCA is concerned with the financial viability of this proposal. The total project cost is estimated to be \$2,462,241. The Applicants will finance the capital expenditure portion of the proposal equally through a \$550,000 operating fund contribution from each participant. The financial feasibility of the proposal rests with the ability of the Applicants to achieve their service volume projections. The Applicants’ MRI service volume projections are questionable given the actual service volumes. As the Applicants’ financial forecasts of the proposal are based on service volume projections that cannot be verified, OHCA is concerned that the annual service volumes and financial projections will not be realized. OHCA, therefore, concludes that the CON proposal is neither financially feasible nor cost-effective reflective of the proposed change in service operation from a mobile-based to fixed-based MRI configuration.

Based upon the foregoing Findings and Rationale, the Certificate of Need application of Hartford Hospital (“Hospital”) and Jefferson X-Ray Group, P.C. (“JXG”), to change the ownership and operation of the Hospital’s freestanding, mobile-based MRI service and to acquire a fixed-based MRI scanning unit for the service located in Wethersfield, Connecticut, at an estimated total capital cost of \$2,462,241, is hereby MODIFIED.

Order

The proposal of Hartford Hospital (“Hospital”) and Jefferson X-Ray Group, P.C. (“JXG”), collectively termed the “Applicants”, to change the ownership and operation of the Hospital’s freestanding, mobile-based magnet resonance imaging (“MRI”) service and acquire a fixed-based MRI scanning unit for the service located in Wethersfield, Connecticut (“CT”), at a total capital cost of \$2,462,241, is hereby modified and is subject to the following conditions:

1. The Applicants’ request to form a joint venture arrangement between the Hospital and JXG for the purpose of establishing Connecticut Imaging Partners, a for-profit, limited liability company with each participant having a 50% ownership share, is approved.
2. Connecticut Imaging Partners shall become the new operating entity for the freestanding, mobile-based MRI service, located at 1260 Silas Deane Highway in Wethersfield, CT.
3. The future operating schedule of the Wethersfield mobile-based MRI service shall be established based upon Connecticut Imaging Partners’ operating needs and shall be modified at the operator’s discretion.
4. The Applicants’ request to acquire a fixed-based, MRI scanning system, at a total capital cost of \$2,462,241, is **denied**.
5. This authorization shall expire on November 28, 2006. Should the formation of Connecticut Imaging Partners, LLC, not be completed by that date, the Applicants must seek further approval from OHCA to complete the establishment of the joint venture beyond that date.

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 23, 2005

Signed by Cristine A. Vogel
Commissioner

CAV: jah