



Office of Health Care Access Certificate of Need Application

Final Decision

Applicant: Lawrence and Memorial Hospital

Docket Number: 05-30482-WVR

Project Title: Request to Waive CON Requirements for the Replacement of Two (2) Existing CT Scanners (Hospital Main Campus and Pequot Health Center)

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

Filing Date: May 13, 2005

Decision Date: May 19, 2005

Staff Assigned: Steven W. Lazarus

Project Description: Lawrence and Memorial Hospital (“Hospital”) requests a waiver of Certificate of Need (“CON”) requirements for replacement of two (2) existing Computed Tomography (“CT”) scanners. The Hospital will replace its existing CT scanners at the Hospital’s Main Campus and at the Pequot Health Center. The total capital expenditure for the replacement of both CT Scanners is \$1,922,173.

Nature of Proceedings: On May 13, 2005, the Office of Health Care Access (“OHCA”) received the waiver of CON requirements request for replacement equipment from Lawrence and Memorial Hospital to replace its two (2) existing CT scanners, currently located at the Hospital’s Main Campus and at the Pequot Health Center, at a total capital expenditure of \$1,922,173. The Hospital is a health care facility or institution as defined in Section 19a-630 of the Connecticut General Statutes (“C.G.S.”).

OHCA’s authority to review and approve, modify or deny the requested waiver of CON requirements for replacement equipment is established by Section 19a-639c, 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 Facts

Historical

1. On November 4, 1994, Lawrence and Memorial Hospital (“Hospital”) received Certificate of Need (“CON”) authorization from the Office of Health Care Access (“OHCA”) under Docket Number 94-530 for the replacement of its existing Computed Tomography (“CT”) scanner at the Hospital’s Main Campus (“HMC”), at a total capital expenditure of \$725,000. (*November 4, 1994 OHCA Agreed Settlement, Lawrence and Memorial Hospital, Docket Number 94-530*)
2. On July 27, 1999, the Hospital received CON authorization from OHCA under Docket Number 99-1501 for the replacement of its existing CT scanner at the Pequot Health Center (“PHC”), at a total capital expenditure of \$875,000. (*July 27, 1999, OHCA CON Waiver, Lawrence and Memorial Hospital, Docket Number 99-1501*)
3. The Hospital is requesting a waiver of CON requirements for replacement equipment pursuant to Section 19a-639c of the Connecticut General Statutes (“C.G.S.”) to replace its existing CT scanners, currently located at the HMC and at PHC at capital expenditure of \$1,047,173 and \$828,192, respectively, for a total capital expenditure for both CT scanners combined of \$1,922,173. (*May 13, 2005, Request for CON Waiver, Cover Page*)

CT Scanner at the Hospital’s Main Campus

4. The Hospital proposes replacement of the existing CT scanner at the HMC, located at 365 Montauk Avenue, New London, CT, with a multi-detector 16-Slice CT scanner, manufactured by GE Medical Systems. (*May 13, 2005, Request for CON Waiver, Cover Page*)
5. The capital expenditure for the proposed replacement multi-detector 16-Slice CT scanner at the HMC is \$1,047,173. (*May 13, 2005, Request for CON Waiver, Cover Page and Vendor Quote*)
6. The total capital expenditure of \$1,047,173 for the replacement CT scanner at the Hospital is below the \$2,000,000 threshold for determining eligibility for a waiver of CON requirements for replacement equipment pursuant to Section 19a-639c, C.G.S. (*May 13, 2005, Request for CON Waiver, Cover Page, Vendor Quote and Docket Number 94-530*)
7. The capital expenditure of \$1,047,173 for the replacement CT scanner at the HMC is less than the original cost of the equipment to be replaced, plus an increase of ten percent for each twelve-month period that has elapsed since OHCA’s original CON authorization date of November 4, 1994 under Docket Number 94-530. (*November 4, 1994, OHCA Agreed Settlement, Docket Number 94-530*)

CT Scanner at the Hospital's Pequot Health Center

8. The Hospital also proposes replacement of the its existing Single-Slice CT scanner at PHC, located at 52 Hazelnut Hill Road, Groton, CT, with a multi-detector 16-Slice CT scanner, also manufactured by GE Medical Systems.
9. The capital expenditure for the proposed replacement Single-Slice CT scanner at the PHC is \$828,192. *(May 13, 2005, Request for CON Waiver, Cover Page and Vendor Quote)*
10. The total capital expenditure of \$828,192 for the replacement CT scanner at the Hospital is below the \$2,000,000 threshold for determining eligibility for a waiver of CON requirements for replacement equipment pursuant to Section 19a-639c, C.G.S. *(May 13, 2005, Request for CON Waiver, Cover Page, Vendor Quote and Docket Number 99-1501)*
11. The capital expenditure of \$828,192 for the replacement CT scanner at PHC is less than the original cost of the equipment to be replaced, plus an increase of ten percent for each twelve-month period that has elapsed since OHCA's original CON authorization date of July 27, 1999, under Docket Number 94-530. *(July 27, 1999, CON Waiver, Docket Number 99-1501)*
12. The Hospital will fund the combined total capital expenditure of \$1,922,173 for two CT scanners though the Hospital's equity from depreciated funds reserved for this proposal. *(May 18, 2005, Email received from Cynthia Kane)*

Rationale

Lawrence and Memorial Hospital (“Hospital”) is requesting a waiver of Certificate of Need (“CON”) requirements for the replacement of two (2) Computer Tomography (“CT”) scanners pursuant to Section 19a-639c of the Connecticut General Statutes (“C.G.S.”), at a combined total capital expenditure of \$1,922,173.

On November 4, 1994, the Hospital received CON authorization from the Office of Health Care Access (“OHCA”) under Docket Number 94-530 for the replacement of its existing Computed Tomography (“CT”) scanner at the Hospital’s Main Campus (“HMC”), at a total capital expenditure of \$725,000. Also, on July 27, 1999, the Hospital received CON authorization from OHCA under Docket Number 99-1501 for the replacement of its existing CT scanner at the Pequot Health Center (“PHC”), at a total capital expenditure of \$875,000.

The Hospital proposes to replace two (2) existing CT scanners, one located at HMC and the second located at PHC. The existing CT scanner at HMC is 10 years old and the existing CT scanner at PHC is over 5 years old. Both CT scanners are Single-Slice CT Scanners and are limited in their imaging. The benefit to upgrading to the multi slice CT scanners will be increased performance capabilities, which will enable the Hospital to perform higher quality studies.

The capital expenditure for the replacement CT scanner at HMC is \$1,047,173. The capital expenditure for the replacement CT scanner at PHC is \$828,192. The combined total capital expenditure for both CT scanners is \$1,922,173. The Hospital will fund the total capital expenditure of \$1,922,173 for both of the replacement CT scanners through the Hospital’s equity, which will be depreciated funds reserved for this proposal.

The capital expenditure for each of the CT scanners of \$1,047,173 and \$828,192 is below the \$2,000,000 threshold for determining eligibility for a waiver of CON requirements for replacement equipment pursuant to Section 19a-639c, C.G.S. Furthermore, the capital expenditure for each of the proposed CT Scanners of \$1,047,173 and \$828,192 is less than the original cost of the each CT scanner to be replaced, plus an increase of ten percent for each twelve-month period that has elapsed since OHCA’s original CON authorizations on November 4, 1994, under Docket Number 94-530 and July 27, 1999, under Docket Number 99-1501.

Based on the foregoing Findings and Rationale, OHCA has determined that Lawrence Memorial Hospital’s request for a waiver of CON requirements for two (2) replacement CT scanners currently located at the Hospital’s Main Campus at 365 Montauk Avenue, New London, CT and at Pequot Health Center located at 52 Hazelnut Hill Road, Groton, CT with two (2) multi-detector 16-Slice CT scanners through GE Medical Systems, at a total expenditure of \$1,047,173 and \$828,192, for a combined total capital expenditure of \$1,922,173, meets the requirements for waiver of the CON process pursuant to Section 19a-639c, C.G.S., and is hereby GRANTED.

Order

Lawrence and Memorial Hospital (“Hospital”) is hereby authorized to replace its two (2) existing Computed Tomography (“CT”) scanners with multi-detector, 16-slice CT scanners, located at the Hospital’s Main Campus at a capital expenditure of \$1,047,173 and at the Pequot Health Center at a capital expenditure of \$828,192, for a combined total capital expenditure of \$1,922,173 at a combined total capital expenditure of \$1,922,173, subject to the following conditions:

1. This authorization shall expire on December 31, 2007. Should the Hospital’s CT scanner replacement project at both the Main Campus and at the Pequot Health Center can 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 capital expenditure for the Hospital’s Main Campus CT Scanner of \$1,047,173 or the capital expenditure of the Pequot Health Center’s CT Scanner of \$828,192 or the approved combined total capital expenditure of \$1,922,173. 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 removal of the Hospital’s existing two (2) CT scanners for certain disposition, such as sale or salvage, outside of and unrelated to the Hospital’s various service provider locations. Furthermore, the Hospital will provide evidence to OHCA of the disposition of the two (2) CT scanners to be replaced by no later than six months after the replacement two (2) multi-detector 16-Slice GE Medical Systems CT scanners have 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

May 19, 2005

Signed by Cristine A. Vogel
Commissioner

CAV:sl