



Office Of Health Care Access Certificate of Need Application

Final Decision

Applicant: The Waterbury Hospital and Diagnostic Radiology Associates, LLC, d/b/a Imaging Partners, LLC

Docket Number: 05-30518-CON

Project Title: Acquisition and Replacement of a Multi-Slice Computed Tomography Scanner

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

Filing Date: October 20, 2005

Decision Date: January 12, 2006

Default Date: January 18, 2006

Staff Assigned: Paolo Fiducia

Project Description: Imaging Partners, LLC (“Applicant”) proposes to acquire a replacement multi-slice computed tomography (“CT”) scanner, at a total capital cost of \$1,461,417.

Nature of Proceedings: On October 20, 2005, the Office of Health Care Access (“OHCA”) received the Certificate of Need (“CON”) application from Imaging Partners, LLC (“Applicant”) seeking authorization to acquire a replacement multi-slice computed tomography (“CT”) scanner, at a total capital cost of \$1,461,417. The Applicant is a health care facility or institution as defined by Section 19a-630 of the Connecticut General Statutes (“C.G.S.”).

Pursuant to Section 19a-639, C.G.S., a notice to the public concerning OHCA’s receipt of the Applicant’s CON application was published in the *The Waterbury Republican*, Waterbury on June 2, 2005. OHCA received no responses from the public concerning the Applicant’s proposal. Pursuant to Public Act 05-75, three individuals or an individual representing an entity with five or more people had until November 10, 2005, the twenty-first calendar day following the filing of the Applicant’s CON Application, to request that

OHCA hold a public hearing on the Applicant's proposal. OHCA received no hearing requests from the public by November 10, 2005.

OHCA's authority to review and approve, modify or deny the CON application 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 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. Imaging Partners, LLC ("Applicant") is a joint venture between Waterbury Hospital ("WH") and Diagnostic Imaging Associates, LLC ("DIA"), which provides CT scanning services to the residents of Greater Waterbury. The joint venture ownership percentages are 85% and 15% respectively for WH and DIA. *(May 24, 2005, Letter of Intent, Pages 2 & 6)*
2. DIA is the radiology practice utilized by WH for its professional radiology services. The Applicant rents office space within DIA's medical office suite at 134 Grandview Avenue, Waterbury. *(May 24, 2005, Letter of Intent, Pages 2 & 6)*
3. The Applicant proposes to replace and upgrade its existing single slice computed tomography ("CT") scanner with a 32 multi-slice CT unit. *(May 24, 2005, Letter of Intent, Page 2)*
4. The Applicant is seeking authorization to replace and upgrade its existing General Electric DX/I CT scanner with a Toshiba Aquilion 32 CFX. The existing scanner was purchased in 2001 for \$336,000. *(May 24, 2005, Letter of Intent, Page 2)*
5. The Applicant states that the proposed CT scanner will provide the Applicant with the ability to offer a higher quality service and advanced procedures that the existing CT scanner is incapable of providing. *(May 24, 2005, Letter of Intent, Page 2)*
6. The Applicant based the need to acquire the proposed 32 multi-slice CT scanner on the following factors: *(May 24, 2005, Letter of Intent, Page 2)*
 - Capability to achieve multiple, thinner slices via fast rotations resulting in less patient motion artifact and improved image quality;
 - Improved access to advanced CT imaging procedures;
 - Enhanced ability to meet expected increase in outpatient imaging demand from the advanced cardiac program in Greater Waterbury; and
 - Improved physician and patient satisfaction.

7. The Applicant states that there are several advanced procedures and techniques available with a 32-slice CT scanner which include the following:
 - CT angiography (coronary, carotid, lower extremities, abdominal arteries, aorta);
 - Coronary arteriogram;
 - Pulmonary arteriogram;
 - Coronary artery calcium scoring;
 - Virtual colonoscopy; and
 - 3D imaging for better visualization and understanding of complex anatomy and very useful in pre-operative planning.
(May 24, 2005, Letter of Intent, Page 2)
8. The Applicant derives the majority of its patient volume from a 12-town primary market that includes the towns of Beacon Falls, Bethlehem, Cheshire, Middlebury, Naugatuck, Prospect, Southbury, Thomaston, Waterbury, Watertown, Wolcott and Woodbury. *(September 21, 2005, Initial CON Application Submission, Page 6)*
9. The Applicant states that DIA consists of 10 board certified radiologists – 3 of whom are board certified in interventional radiology and have significant experience in CT and angiography. *(September 21, 2005, Initial CON Application Submission, Page 3)*
10. The current providers of CT scanning within the Applicant's service area include Harold Leever Regional Cancer Center; Naugatuck Valley Radiological Associates; Diagnostic Imaging of Southbury; St. Mary's Hospital; Waterbury Hospital; Imaging Partners; and Valley Imaging Partners. *(September 21, 2005, Initial CON Application Submission, Page 8)*
11. The Applicant states that Naugatuck Valley Radiological Associates and St. Mary's Hospital are the only providers that offer multi-slice CT scanning. *(October 20, 2005, Subsequent CON Submission, Appendix 1)*
12. The Applicant states that existing providers will not be impacted with respect to patient volume, financial stability or quality of care. In addition, the Applicant is seeking to improve its diagnostic capabilities for its current patient and referring physician base. *(September 21, 2005, Initial CON Application Submission, Page 10)*
13. The actual CT scan volume from FY 2002 through FY 2005 (first 6 months) for the Applicant's existing CT scanner is as follows: *(September 21, 2005, Initial CON Application Submission, Page 8)*

Table 1: Actual CT Volume for FY 2002 through FY 2005 (First 6 Months)

CT Scanner Description	FY 2002	FY 2003	FY 2004	FY 2005
Total CT Scans	1,920	2,378	2,498	1,316

Note: The data presented by the Applicant could not be verified by OHCA.

14. The Applicant's projected CT scan volume¹ for FY 2006 through FY 2008 with the proposed CT scanner is as follows: *(September 21, 2005, Initial CON Application Submission, Page 8)*

Table 2: Projected CT Volume for FY 2006 through FY 2008 with the Proposal

CT Scanner Description	FY 2006	FY 2007	FY 2008
Number of Scans	2890	3840	4460
Average scans per day	11.6	15.4	17.8

Note: The data presented by the Applicant could not be verified by OHCA.

- Projections based on 250 Annual Charge/Revenue days.
- The Applicant utilized the historical growth trend, the referring physicians' feedback and the estimated potential for new CT advanced procedures to arrive at the above projections.
- The Applicant expects to perform approximately 11 scans per day in March 2006 to approximately 14 scans per day in September 2006.
- In the second and third year of operation, the Applicant expects to increase the CT scans to an annual daily average of 15.4 per day (FY 07) and 17.98 per day (FY 08).
- The Applicant predicts these increases due to the CT scanner capability as well as the resulting anticipated increase in referrals.

15. The Applicant states the advantages of this proposal are as follows:

- Improve access to newer procedures, techniques and advanced diagnostic capabilities;
- Multi-slice CT technology offers a lower risk alternative to patients who would otherwise receive invasive diagnostic angiograms; and
- As the population in Waterbury ages and as demand for imaging continues to grow, efficiencies will be gained via shorter patient exam times and increased throughput. *(May 24, 2005, Letter of Intent, Page 6)*

16. The Applicant states that it intends to dispose of its existing General Electric DX/I single slice scanner upon installation of the new Toshiba Aquilion 32 CFX scanner. *(October 20, 2005, Subsequent CON Submission, Page 3)*

17. The hours of operation for the CT scanning services are 8:00 a.m. to 4:30 p.m. Monday through Friday. *(September 21, 2005, Initial CON Application Submission, Page 7)*

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
Consideration of Other Section 19a-637, C.G.S. Principles and Guidelines

¹ Volume projections in the proposal consider the applicant's current patient and referring physician base and do not draw from other providers.

18. The total capital cost for the proposal is itemized in the following table: *(September 21, 2005, Initial CON Application Submission, Page 8)*

Table 3: Capital Expenditure Itemization

Description	Component Cost
Construction/Renovation	\$50,000
Imaging Equipment (Lease)	\$1,411,417
Total Capital Cost	\$1461.417
Capitalized Financing Costs (for information purposes only)	\$334,818
Total Capital Cost inc. CFC	\$1,796,235

19. The total capital cost of \$1,461,417 for the CON proposal will be financed through an equity contribution from the Applicant of \$50,000 and the remaining \$1,411,417 will be lease financed. *(September 21, 2005, Initial CON Application Submission, Page 16)*

20. The Applicant projects incremental losses and gains from operations of (\$91,517), (\$58,749) and \$5,530 for FY 2006, FY 2007 and FY 2008, respectively. *(September 21, 2005, Initial CON Application Submission, Page 295)*

21. The primary contributors for the incremental losses in the early years of the project are an increase in both interest and depreciation expenses. *(September 21, 2005, Initial CON Application Submission, Page 21)*

22. The Applicant's projected payer mix during the first three years of implementation and operation of the proposed CT scanner is as follows: *(September 21, 2005, Initial CON Application Submission, Page 18)*

Table 4: Three-Year Projected Payer Mix with the CON Proposal

Payer Mix	Year 1	Year 2	Year 3
Medicare	34.6%	34.6%	34.6%
Medicaid	5.5%	5.5%	5.5%
TriCare (CHAMPUS)	0.0%	0.0%	0.0%
Total Government	40.1%	40.1%	40.1%
Commercial Insurers	58.4%	58.4%	58.4%
Uninsured	1.4%	1.4%	1.4%
Workers Compensation	0.1%	0.1%	0.1%
Total Non-Government	59.9%	59.9%	59.9%
Total Payer Mix	100.00%	100.00%	100.00%

23. There is no State Health Plan in existence at this time. *(September 21, 2005, Initial CON Application Submission, Page 3)*

24. The Applicant has adduced evidence that the proposal is consistent with the Applicant's long-range plan. *(September 21, 2005, Initial CON Application Submission, Page 3)*

25. The Applicant has improved productivity and contained costs by the application of new technology. *(September 21, 2005, Initial CON Application Submission, Page 14)*

26. The proposal will not result in any change to the Applicant's teaching and research responsibilities. *(September 21, 2005, Initial CON Application Submission, Page 15)*
27. The proposal will not result in any change to the Applicant's patient/physician mix. *(September 21, 2005, Initial CON Application Submission, Page 15)*
28. The Applicant has sufficient technical, financial and managerial competence and expertise to provide efficient and adequate service to the public. *(September 21, 2005, Initial CON Application Submission, Page 13)*
29. The Applicant's rates are sufficient to cover the proposed capital cost and operating costs associated with the proposal. *(September 21, 2005, Initial CON Application Submission, Page 295)*

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.

Imaging Partners, LLC, is a joint venture between Waterbury Hospital (“WH”) and Diagnostic Imaging Associates, LLC (“DIA”), which provides CT scanning services to the residents of Greater Waterbury. DIA is the radiology practice utilized by WH for its professional radiology services. The Applicant states that it has 10 board certified radiologists, 3 of whom are board certified in interventional radiology, and have significant experience in CT and angiography. The Applicant proposes to replace and upgrade its existing single slice computed tomography (“CT”) scanner with a 32 multi-slice CT unit. The multi-slice CT technology offers a lower risk alternative to patients who would otherwise receive invasive diagnostic angiograms.

The Applicant based the need to replace the existing CT scanner on several factors. The proposed CT scanner will have the capability to achieve multiple, thinner slices via fast rotations resulting in less patient motion artifact and improved image quality. This proposal will improve access to advanced CT imaging procedures, enhance ability to meet expected increase in outpatient imaging demand from the advanced cardiac program in Greater Waterbury, and improve physician and patient satisfaction.

The proposed CT scanner will offer the following newer procedures, techniques and advanced diagnostic capabilities: CT Angiography, Coronary arteriogram, Pulmonary arteriogram, Coronary artery calcium scoring, Virtual colonoscopy, and 3D imaging for better visualization and understanding of complex anatomy and pre-operative planning. The new CT scanner will also provide enhanced imaging of vascular structures including the heart, coronary arteries, and other anatomy not currently possible on the existing equipment. Based on the foregoing reasons, OHCA finds that the CON proposal will improve both the quality and accessibility of CT services in the Greater Waterbury region.

The estimated total capital cost of the CON proposal is \$1,461,417. The total capital cost of \$1,461,417 for the CON proposal will be financed through an equity contribution from the Applicant of \$50,000 and the remaining \$1,411,417 will be lease financed. The Applicant projects incremental losses and gains from operations of (\$91,517), (\$58,749) and \$5,530 for FY 2006, FY 2007 and FY 2008, respectively, due to both interest and depreciation expenses. Although OHCA cannot draw any conclusions, the Applicant’s volume and 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 Imaging Partners, LLC to acquire a replacement multi-slice computed tomography scanner, at a total capital cost of \$1,461,417, is hereby GRANTED.

Order

Imaging Partners, LLC (“Applicant”) is hereby authorized to acquire a replacement multi-slice computed tomography (“CT”) scanner at a total capital cost of \$1,461,417, subject to the following conditions:

1. This authorization shall expire on January 12, 2008. Should the Applicant’s CT scanner replacement project not be completed by that date, the Applicant must seek further approval from OHCA to complete the project beyond that date.
2. The Applicant shall not exceed the approved total capital cost of \$1,461,417. In the event that the Applicant learns of potential cost increases or expects that final project costs will exceed those approved, the Applicant shall file with OHCA a request for approval of the revised CON project budget.
3. This authorization requires the removal of the Applicant’s existing CT scanner for certain disposition, such as sale or salvage, outside of and unrelated to the Applicant’s service provider locations. Furthermore, the Applicant will provide evidence to OHCA of the final disposition of said CT scanner, by no later than three months after the replacement CT scanner 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

January 12, 2006

Signed by Cristine A. Vogel
Commissioner

CAV: pf