



Office Of Health Care Access Certificate of Need Application

Final Decision

Applicants: Grove Hill Medical Center, P.C. and Investment Associates, LP

Docket Number: 05-30551-CON

Project Title: Acquisition of a Replacement Magnetic Resonance Imaging Unit

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

Filing Date: October 24, 2005

Decision Date: January 4, 2006

Default Date: January 22, 2006

Staff Assigned: Ronald A. Ciesones

Project Description: Grove Hill Medical Center, P.C. and Investment Associates, LP (“Applicants”) propose to acquire a replacement Magnetic Resonance Imaging (“MRI”) unit, at a total capital expenditure of \$1,100,000.

Nature of Proceedings: On October 24, 2005, the Office of Health Care Access (“OHCA”) received the Certificate of Need (“CON”) application from Grove Hill Medical Center, P.C. and Investment Associates, LP, (“Applicants”) seeking authorization to acquire a replacement magnetic resonance imaging (“MRI”) scanner, at a total capital expenditure of \$1,100,000. Grove Hill Medical Center, P.C 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 Applicants’ Letter of Intent (“LOI”) was published in *The Herald* on July 29, 2005, pursuant to Section 19a-639, C.G.S. OHCA received no comments from the public concerning the Applicants’ proposal.

Pursuant to Section 19a-639, C.G.S., a notice to the public concerning OHCA's receipt of the Applicants' Letter of Intent was published in *The Herald* on July 29, 2005. OHCA received no responses from the public concerning the Applicants' proposal. Pursuant to Public Act 05-75, three individuals or an individual representing an entity with five or more people had until November 14, 2005, the twenty-first calendar day following the filing of the Applicants' CON Application, to request that OHCA hold a public hearing on the Applicants' proposal. OHCA received no hearing requests from the public by November 14, 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 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. Grove Hill Medical Center, P.C., ("GHMC" or "Applicants") is a multi-specialty physician group practice located at 300 Kensington Avenue, New Britain, Connecticut. (*October 3, 2005, CON Application, Page 1*)
2. Investment Associates, LP ("IA" or "Applicants") is a limited partnership owned by the same individuals who are shareholders of GHMC, and was formed to own all of the capital assets of GHMC including all of the property and equipment. (*October 3, 2005, CON Application, page 11*)
3. The Applicants propose to acquire and operate a replacement Phillips NT Intera 1.5 Tesla Unit magnetic resonance imaging ("MRI") unit and to replace the trailer containing the MRI with a modular building. (*October 3, 2005, CON Application, page 2*)
4. IA will own the proposed equipment and lease it to GHMC pursuant to a master agreement lease. (*October 3, 2005, CON Application, page 11*)
5. New Britain Radiological Associates, P.C. will continue to provide clinical supervision of the MRI services and interpretation of the MRI studies. (*October 24, 2005, CON Completeness Responses page 2*)
6. The Applicants currently operate a 1.0 Tesla MRI unit, which was manufactured in 1996 and purchased by the Applicants in 2002. (*October 3, 2005, CON Application, page 2*)

7. The Applicants based the need to replace the existing MRI unit on the following factors:
- Limited functionality of the existing equipment;
 - The ability to offer more advanced technology and imaging services; and
 - Improved quality of patient care.
- (October 3, 2005, CON Application, page 11)
8. The Applicants state that there have been problems maintaining and repairing the existing MRI equipment since the manufacturer ceased doing business. This unit is at the end of its useful life and does not offer state-of-the-art-features and functionality. (October 3, 2005, CON Application, page 2)
9. The Applicants state the proposed replacement MRI unit will be able to perform magnetic resonance angiography and breast studies which the current equipment can not perform. The proposed unit will provide higher quality images, improved diagnostic capability, increased operational efficiency and improved patient management and satisfaction. (October 3, 2005, CON Application, page 3)
10. The other area MRI providers in the Applicants service area of New Britain, Berlin, Bristol, Southington, Newington, Farmington, Plainville and Cromwell, that can treat patients are:
- MRI of New Britain located at New Britain General Hospital,
 - Bristol Radiology Center located at Bristol Hospital, and
 - Farmington Imaging Center in Farmington.
- (October 24, 2005, CON Completeness Response, page 6)
11. The actual MRI volume from FY 2002 through FY 2005 for the Applicants' existing MRI unit is shown in the chart below:

Table 1: Actual MRI Volume for FY 2002 through FY 2005

MRI Scans	FY 2002*	FY 2003	FY 2004	FY 2005**
# of Scans	162	1,368	1,553	1,352

Note: The data presented by the Applicants could not be verified by OHCA because of its claimed proprietary nature.

*FY 2002 is a partial year because the existing MRI did not go into service until October 2002.

**This is an annualized amount based on 1,014 scans performed in the first nine months of FY 2005.

(October 3, 2005, CON Application, page 4)

12. The Applicants' projected MRI volume for the first three years with the proposed MRI replacement unit is as follows:

Table 2: Projected CT Volume for Year's 1 through 3

MRI Unit Description	Year 1	Year 2	Year 3
# of scans	2,005	2,005	2,005

Note: The data presented by the Applicants could not be verified by OHCA because of its claimed proprietary nature.

(October 24, 2005, CON Completeness Response, page 4)

13. The Applicants' projected MRI volumes for the first three years of operation are based on the following expectations:
- The current unit performs 6.2 procedures per day on average;
 - A moderate increase to current volumes due to the improved processing speeds of the proposed unit and the down time for repairs of the current unit; and
 - There are 252 operating days per year.
(October 3, 2005, CON Application, Page 7 and page 169)

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

14. The estimated total capital expenditure of the CON proposal is \$1,100,000. Component project costs include \$798,000 for the replacement MRI unit, \$287,000 for construction and renovation work and \$15,000 for delivery and equipment. (October 3, 2005, CON Application, page 2)
15. The proposed MRI unit will be located in a newly constructed, stationary, modular building. The Applicants will engage a third party to attempt to sell the existing MRI unit and trailer. (October 24, 2005, Completeness Response, page 1)
16. The total capital cost of \$1,100,000 for the CON proposal will be financed through an equity contribution from the Applicants of \$220,000 and the remaining \$880,000 will be lease financed. (October 3, 2005, CON Application, page 16)
17. The proposed project schedule is as follows:

Table 3: Proposed Project Schedule

Description	Date
Construction Commencement Date	April 3, 2006
Construction Completion Date	June 23, 2005
Commencement of Operation Date	July 3, 2005

(October 24, 2005, Completeness Responses, page 1)

18. The Applicants' projected incremental revenue from operations, total operating expense and gains from operations associated with the CON proposal for the first three years of operation are as follows: (October 24, 2005, CON Completeness Response, page 4)

Table 4: Incremental Financial Projections for Year 1 through Year 3

Description	Year 1	Year 2	Year 3
Incremental Revenue from Operations	\$1,403,500	\$1,403,500	\$1,403,500
Incremental Total Operating Expense	\$873,358	\$999,450	\$1,007,033
Incremental (Loss)/Gain from Operations	\$530,142	\$404,050	\$396,467

19. The Applicants' projected payer mix during the first three years of implementation and operation of the replacement MRI unit are as follows: *(October 3, 2005, CON Application, page 23)*

Table 5: Three-Year Projected Payer Mix with the CON Proposal

Payer Mix	Current	Year 1	Year 2	Year 3
Medicare	26.5%	26.5%	26.5%	26.5%
Medicaid	5.0%	5.0%	5.0%	5.0%
TriCare (CHAMPUS)	0.0%	0.0%	0.0%	0.0%
Total Government	31.5%	31.5%	31.5%	31.5%
Commercial Insurers	66.5%	66.5%	66.5%	66.5%
Uninsured	1.0%	1.0%	1.0%	1.0%
Workers Compensation	1.0%	1.0%	1.0%	1.0%
Total Non-Government	68.5%	68.5%	68.5%	68.5%
Total Payer Mix	100.00%	100.00%	100.00%	100.00%

20. There is no State Health Plan in existence at this time. *(October 3, 2005, CON Application, page 11)*
21. The Applicants have adduced evidence that the proposal is consistent with the Applicants' long-range plan. *(October 3, 2005, CON Application, page 3)*
22. The Applicants have improved productivity and contained costs with the application of new technology. *(October 3, 2005, CON Application, page 10)*
23. The proposal will not result in any change to the Applicants' teaching and research responsibilities. *(October 3, 2005, CON Application, page 10)*
24. The proposal will not result in any change to the Applicants' patient/physician mix. *(October 3, 2005, CON Application, page 10)*
25. The Applicants have sufficient technical, financial and managerial competence and expertise to provide efficient and adequate service to the public. *(October 3, 2005, CON Application, page 9 and Exhibit 5C)*
26. The Applicants' rates are sufficient to cover the proposed capital expenditure and operating costs associated with the proposal. *(October 3, 2005, CON Application, page 169)*

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.

Grove Hill Medical Center, P.C., and Investment Associates LP (“Applicants”) propose to acquire a Phillips 1.5 Tesla Magnetic Resonance Imaging (“MRI”) unit and construct a stationary, modular building to house the MRI at their radiology practice located at 300 Kensington Avenue, New Britain, Connecticut.

The Applicants determined the need to replace the existing MRI unit on several factors. The current MRI unit continues to break down and is difficult to fix since the manufacturer is no longer in business. Also, the new replacement MRI unit will allow the Applicants to provide more advanced scans such as magnetic resonance angiography and breast studies which the current equipment can not perform. The proposed MRI unit will also provide higher quality images and increased efficiency, thereby improving the quality of care. Based on the foregoing reasons, OHCA finds that there is a clear public need for the CON proposal, and that the CON proposal will improve both the quality and accessibility of existing MRI services in the Hartford region.

The total capital cost for the CON proposal is \$1,100,000. The project will be financed through an equity contribution from the Applicants of \$220,000 and the remaining \$880,000 will be lease financed. The Applicants project incremental gains from operations of \$530,142 in year 1, \$404,050 in year 2 and \$396,467 in year 3 associated with the project. Although OHCA can not draw any conclusions, the Applicants’ 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 Grove Hill Medical Center, P.C. and Investment Associates LP to acquire a replacement Magnetic Resonance Imaging unit at a total capital expenditure of \$1,100,000, is hereby GRANTED.

Order

Grove Hill Medical Center, P.C. (“Applicants”) is hereby authorized to acquire a replacement Magnetic Resonance Imaging (“MRI”) unit at a total capital cost of \$1,100,000 which includes \$880,000 in lease financing, subject to the following conditions:

1. This authorization shall expire on December 13, 2007. Should the Applicants’ MRI unit replacement project not be completed by that date, the Applicants must seek further approval from OHCA to complete the project beyond that date.
2. The Applicants shall not exceed the approved total capital cost of \$1,100,000. In the event that the Applicants learn of potential cost increases or expects that final project costs will exceed those approved, the Applicants shall file with OHCA a request for approval of the revised CON project budget.
3. This authorization requires the removal of the Applicants’ existing MRI unit and trailer for certain disposition, such as sale or salvage, outside of and unrelated to the Applicants’ service provider locations. Furthermore, the Applicants will provide evidence to OHCA of the final disposition of said MRI unit, by no later than three months after the 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

January 4, 2006

Signed by Cristine A. Vogel
Commissioner

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