



## Office of Health Care Access Certificate of Need Application

### Final Decision

**Hospital:** Lawrence and Memorial Hospital

**Docket Number:** 05-30552-CON

**Project Title:** Replacement of five analog film mammography machines with digital mammography units

**Statutory Reference:** Section 19a-639, Connecticut General Statutes

**Filing Date:** November 29, 2005

**Decision Date:** February 2, 2006

**Default Date:** February 27, 2005

**Staff:** Annie Jacob

**Project Description:** Lawrence and Memorial Hospital (“Hospital”) proposes to replace its existing five analog film mammography machines with digital mammography units. The project’s total proposed capital expenditure is \$2,233,880.

**Nature of Proceedings:** On November 29, 2005, the Office of Health Care Access (“OHCA”) received the Certificate of Need (“CON”) application of Lawrence and Memorial Hospital seeking authorization to replace its existing five analog film mammography machines with digital mammography units. The total proposed capital expenditure is \$2,233,880. The Hospital 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 Hospital’s Letter of Intent was published in the *The Day Publishing Company*, New London on August 5, 2005. OHCA received no responses from the public concerning the Hospital’s proposal. Pursuant to Public Act 05-75, three individuals or an individual representing an entity with five or more people had until December 20, 2005, the twenty-first calendar day following

the filing of the Hospital's CON Application, to request that OHCA hold a public hearing on the Hospital's proposal. OHCA received no hearing requests from the public by December 20, 2005.

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 on the Hospital's Current Utilization Statistics Contribution of the Proposal to the Accessibility and Quality of Health Care Delivery in the Region**

1. Lawrence and Memorial Hospital ("Hospital") is an acute care hospital located at 365 Montauk Avenue in New London, Connecticut. *(July 18, 2005, Letter of Intent)*
2. The Hospital's primary service area includes the following municipalities: East Lyme, Groton, Ledyard, Lyme, Montville, New London, North Stonington, Old Lyme, Stonington and Waterford. *(July 18, 2005, Letter of Intent and November 14, 2005, CON Application page 32)*
3. The Hospital's secondary service area includes the following municipalities: Bozrah, Colchester, Franklin, Griswold, Lisbon, Norwich, Old Saybrook, Preston, Salem and Voluntown. The Rhode Island secondary market service area consists of the towns of Westerly and Hopkinton. *(July 18, 2005, Letter of Intent and November 14, 2005 CON Application page 32)*
4. The Hospital proposes to replace five analog film mammography machines with digital mammography units with a Selenia System. *(July 18, 2005, Letter of Intent, page 9- Quotation)*
5. The Hospital's proposal involves two analog machines being replaced at the Hospital's main campus at 365 Montauk Avenue, New London; two analog units being replaced at the satellite Pequot Health Center, 52 Hazelnut Hill Road, Groton; and one analog unit being replaced at the satellite Flanders Health Center, 339 Flanders Road, East Lyme, Connecticut. *(July 18, 2005, Letter of Intent, page 8)*
6. In March, 2003 the Hospital received Certificate of Need authorization from the Office of Health Care Access under Docket Number 02-566 for the acquisition of a Picture Archiving Communication System ("PACS") which provided for improved operational efficiency, quality of care, and communication between radiologists and physicians. At that time, with a complement of analog equipment, mammography was excluded in the initial design of the PACS. *(November 14, 2005, CON Application, page 33)*

7. The Hospital stated that this proposal elevates mammography equipment at the Hospital to state-of-the-art technology to be integrated into the PACS. *(November 14, 2005, CON Application, page 33)*
8. The Hospital based the need for this replacement proposal on the following advantages of digital mammography: *(November 14, 2005, CON Application, page 33 and 45)*
  - Improved image quality due to the ability to image a wide range of transmitted x-ray intensities,
  - Decreased call back rates due to ability to manipulate image data,
  - Improved accuracy, especially for women under 50 years, women with radiographically dense breasts, and premenopausal or perimenopausal women,
  - Electronic image processing which reduces costs associated with film processing, storage and liability due to film loss, and
  - Digital archival which enhances computer-aided diagnosis, image distribution and concomitant physician viewing and communication.
9. The Hospital stated that the proposal will allow for the following:
  - Mammography scans to be stored digitally for easier access and retrieval,
  - Electronic transmission of scans to other providers, and
  - Clarity of the digital image to detect any abnormalities.*(November 14, 2005, CON Application, page 44)*
10. The Hospital's total mammography volume for Fiscal Years ("FY") 2002, 2003, 2004, and 2005 was 19,424, 19,236, 19,609, and 20,194 visits, respectively. *(November 29, 2005, Response Letter RE : OHCA Question)*
11. The Hospital stated that the residents of primary service area towns account for 90% of total Hospital mammography visits. Connecticut secondary service area residents account for 7% and out of service area patients account for 3% of total Hospital mammography visits. *(November 14, 2005, CON Application, page 35)*
12. The Hospital projects 20,526 and 20,936 total mammography visits for FYs 2006 and 2007. The Hospital stated that the growth projection in patient visits assumes an increase of 2% over the next two years based on historical volume. *(November 14, 2005, CON Application, page 35)*
13. The Hospital indicated that since the proposal will improve clinical and service quality for its existing patient population, there will be no impact on existing providers such as William W. Backus Hospital, Middlesex Hospital and Westerly, RI Hospital along with a number of physician office-based providers. *(November 14, 2005, CON Application, page 33)*
14. Regarding the disposition of the existing analog film mammography machines, the Hospital stated that four of the existing five units to be replaced are fully depreciated and will be removed from service before the new equipment arrives. The Hospital will receive a book value equivalent trade-in allowance for the fifth replacement unit. *(November 14, 2005, CON Application, page 33)*

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

15. The total capital expenditure for the proposal is \$2,233,880 for the purchase of the medical equipment. *(July 18, 2005, Letter of Intent and November 14, 2005, CON Application page 41)*
16. The proposed project will be financed entirely through contributions. *(November 14, 2005, CON Application, page 42)*
17. The Hospital projects an incremental gain from operations with the project of \$654,083 and \$473,287 for FYs 2006 and 2007. *(November 14, 2005, CON Application, Page 44 & Financial Attachment VIII)*
18. The Hospital projects total Hospital gains from operations with the project \$3,066,678 and \$2,885,882 for FY 2006 and 2007, respectively. *(November 14, 2005, CON Application, Financial Attachment VIII)*
19. The Hospital's existing payer mix is not expected to change as a result of this project. The projected payer mix for the first three years of operation is as follows:

**Table 2: Three-Year Projected Payer Mix with the CON Proposal**

<b>Payer Mix</b>	<b>Current Payer Mix</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
Medicare (Includes Managed Care Activity)	32.4%	32.4%	32.4%	32.4%
Medicaid (Included Other Medical Assistance)	7.3%	7.3%	7.3%	7.3%
CHAMPUS & TriCare	3.7%	3.7%	3.7%	3.7%
<b>Total Government</b>	<b>43.4%</b>	<b>43.4%</b>	<b>43.4%</b>	<b>43.4%</b>
Commercial Insurers (Includes Managed Care Activity)	54.0%	54.0%	54.0%	54.0%
Uninsured	0%	0%	0%	0%
Workers Compensation	2.6%	2.6%	2.6%	2.6%
<b>Total Non-Government</b>	<b>56.6%</b>	<b>56.6%</b>	<b>56.6%</b>	<b>56.6%</b>
<b>Total Payer Mix</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

*(November 14, 2005, CON Application, page 43)*

20. There is no State Health Plan in existence at this time. *(November 14, 2005, CON Application, page 34)*

21. The Hospital has adduced evidence that this proposal is consistent with its long-range plan. *(November 14, 2005, CON Application, page 34)*
22. The Hospital participates in energy conservation, group purchasing, reengineering and the application of technology programs to improve productivity and contain costs. *(November 14, 2005, CON Application, page 38)*
23. This proposal will not result in changes to the Hospital's teaching and research responsibilities. *(November 14, 2005, CON Application, page 39)*
24. The Hospital's rates are sufficient to cover the proposed capital expenditure and operating costs. *(November 14, 2005, CON Application, Financial Attachment VIII and IX, pages 120-122)*
25. There are no distinguishing characteristics of the Hospital's patient/physician mix. *(November 14, 2005, CON Application, page 39)*
26. The Hospital has sufficient technical and managerial competence to provide efficient and adequate services to the public. *(November 14, 2005, CON Application, Attachment III and Financial Attachment VI, VIII and IX)*

## 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.

Lawrence and Memorial Hospital (“Hospital”) proposes to replace its existing five analog film mammography machines with digital mammography units. The existing mammography machines are fully depreciated. Two analog machines will be replaced at the L&M main campus at 365 Montauk Avenue, New London; two analog units will be replaced at the satellite Pequot Health Center, 52 Hazelnut Hill Road, Groton; and one analog unit will be replaced at the satellite Flanders Health Center, 339 Flanders Road, East Lyme, CT. The proposed new state-of-the-art digital system will allow for integration with the Hospital’s PACS improving overall efficiencies.

The advantages of digital mammography include electronic image processing, ability to image a wide range of transmitted x-ray intensities, digital archival, and electronic transmission of image information. Mammography scans will be stored digitally for easier access and retrieval. The Hospital will be able to transmit scans electronically to other providers. The clarity of the digital image will improve the Hospital’s ability to detect any abnormalities. The proposed system will improve accuracy, especially for women under 50 years, women with radiographically dense breasts, and premenopausal or perimenopausal women. It will enhance computer-aided diagnosis, image distribution and concomitant physician viewing and communication. OHCA finds that the Hospital’s proposal to replace the five mammography units at the three sites will improve the overall access and quality of care to patients in this region.

The proposal is financially feasible. The total capital expenditure associated with the project is \$2,233,880. The proposed project will be financed through funded depreciation. The Hospital projects incremental gains from operations with the project of \$654,083 and \$473,287 for FYs 2006 and 2007, respectively. The Hospital projects total Hospital gains from operations with the project of \$3,066,678 and \$2,885,882 for FYs 2006 and 2007, respectively. The Hospital’s volume and financial projections upon which they are based appear to be reasonable and achievable. Therefore, the proposal will not adversely impact consumers of health care services and payers for such services.

Based on the foregoing Findings and Rationale, the Certificate of Need application of Lawrence and Memorial Hospital to replace its existing five analog mammography machines with digital mammography units at a total capital expenditure of \$2,233,880, is hereby GRANTED.

## ORDER

Lawrence and Memorial Hospital is hereby authorized to replace its existing five analog film mammography machines with digital mammography units at a total capital expenditure of \$2,233,880, subject to the following conditions:

1. This authorization shall expire December 31, 2007. Should the Hospital's project not be completed by that date, the Hospital must seek further approval from OHCA to complete the project beyond that date.
2. Lawrence and Memorial Hospital shall not exceed the approved capital expenditure of \$2,233,880. In the event that the Hospital learns of potential cost increases or expects that the final project costs will exceed those approved, the Hospital shall file with OHCA a request for approval of the revised budget.
3. This authorization requires the removal of the Hospital's five existing analog film mammography machines for certain disposition, such as sale or salvage, outside of and unrelated to the Hospital's service provider locations. Furthermore, the Hospital will provide evidence to OHCA of the final disposition of the existing equipment, by no later than three months after the replacement of linear accelerator and simulator 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

February 2, 2006

Signed by Cristine Vogel  
Commissioner

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