



Office Of Health Care Access Certificate of Need Application

Final Decision

Applicant: Mandell & Blau, M.D.s, P.C.

Docket Number: 05-30569-CON

Project Title: Replacement of an Existing CT Scanner at Buckland Hills

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

Filing Date: December 8, 2005

Decision Date: January 20, 2006

Default Date: March 8, 2006

Staff Assigned: Tillman Foster

Project Description: Mandell & Blau, M.D.s, P.C. (“Applicant”) proposes to acquire a multi-slice computed tomography (“CT”) scanner and replace an existing CT scanner, at a total capital expenditure of \$650,000, which does not include capitalized financing costs, plus \$110,709 in capitalized financing costs for a total capital cost of \$760,709.

Nature of Proceedings: On December 8, 2005, the Office of Health Care Access (“OHCA”) received the Certificate of Need (“CON”) application from the Applicant seeking authorization to acquire a replacement multi-slice CT scanner, at a total capital cost of \$760,709.

Pursuant to Section 19a-639, C.G.S., a notice to the public concerning OHCA’s receipt of Applicant’s CON application was published in the *Journal Inquirer*, Manchester on September 8, 2005. OHCA received no responses from the public concerning Applicant’s proposal. Pursuant to Public Act 05-75, three individuals or an individual representing an entity with five or more people had until December 29, 2005, the twenty-first calendar day following the filing of Applicant’s CON Application, to request that OHCA hold a public hearing on Applicant’s proposal. OHCA received no hearing requests from the public by December 29, 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 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. Mandell & Blau, M.D.s, P.C. ("Applicant") operates Buckland Hills Imaging Center, a multi-modality radiology office at 491 Buckland Road in South Windsor, Connecticut. The radiologic services provided at the office include magnetic resonance imaging, radiography, ultrasound, computed axial tomography, mammography, and bone densitometry. *(August 12, 2005, Letter of Intent, Section IV and November 14, 2005, CON Application, Project Description Attachment, Response to Question 1, Docket Number 03-30205)*
2. CT Scanning services at the Applicant's office are currently provided through the operation of a General Electric ProSpeed Plus, Single-Slice CT scanner. *(August 12, 2005, Letter of Intent, Section IV and November 14, 2005, CON Application, Project Description Attachment, Response to Question 2)*
3. Applicant proposes to acquire and operate a Toshiba Aquilion 8 Whole Body CT Scanner System which will replace its single-slice CT scanner. *(August 12, 2005, Letter of Intent, Section IV and November 14, 2005, CON Application, Project Description Attachment, Response to Question 2)*
4. Applicant listed its Connecticut primary and secondary service area towns as follows:
 - Primary: Bolton, East Hartford, Ellington, Manchester, South Windsor and Vernon; and
 - Secondary: Coventry, East Windsor, Somers, Stafford Springs, Tolland and Windsor. *(December 8, 2005, Completeness Responses, Pages 1 and 2)*
5. The existing single-slice CT scanner is over ten years old, service technicians are unable to support the unit due to the limited supply of replacement parts and lack of training available on older units. It has also had down time due to service issues delaying care for patients in the community. *(November 14, 2005, CON Application, Page 4)*
6. Applicant based the need to replace the existing single-slice CT scanner on the following factors: *(August 12, 2005, Letter of Intent, Section IV and November 14, 2005, CON Application, Project Description Attachment, Question 6)*
 - Image quality;
 - Longer imaging time required resulting in higher dosage of radiation to the patient than the more current technologies;
 - Limited control in processing or manipulating the image; and

- Reliability.

7. The other CT Scanning providers in Applicant's Primary Service area are the following:

Table 1: Other CT Scanning Services in Applicant's Primary Service Area

Location	Address	CT Equipment/Service	Hours and Days of Operation
Manchester Memorial Hospital Center	71 Haynes Street, Manchester, CT	CT Scanner	24hrs, 7 days 8:00 am – 4:30 pm Monday-Friday (<i>Outpatient Service Hours</i>)
Rockville General Hospital	31 Union Street Vernon, CT	CT Scanner	24hrs, 7 days

(December 8, 2005 Completeness Responses, Page 2)

8. The proposed replacement CT scanner will provide the following advantages or improvements:

- Higher quality images;
- Faster imaging time;
- Reduce patient motion and radiation exposure; and
- Fewer repeat images required due to patient motion.

(August 12, 2005, Letter of Intent, Section IV and November 14, 2005, CON Application, Project Description Attachment, Question 6)

9. The Applicant reports the following actual CT scan volume from FY 2003 through FY 2005:

(December 8, 2005 Completeness Responses, Page 2)

Table 2: Actual CT Volume for FY 2003 through FY 2005

Fiscal Year	FY 2003	FY 2004	FY 2005
CT Scans Volume (Actual)	1,110	1,432	1,203

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

10. The projected CT scan volume for the replacement CT unit is as follows: (November 14, 2005, CON Application, Page 73)

Table 3: Projected CT Volume for FY 2006 through FY 2008 with the Proposal

CT Scanner Description	FY 2006	FY 2007	FY 2008
CT Scans Volume (Projected)	1,524	1,778	2,032
Incremental Volume Between FYs		254	254

- Volume projected with the replacement Toshiba Aquilion Whole Body, 8-Slice CT Scanner.
- Based on six procedures per day FY 2006 plus one additional procedure per day for FYs 2007 and FY 2008.
- Note: The data presented by Applicant could not be verified by OHCA.

**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**

11. The estimated total capital expenditure of the CON proposal is \$760,709. Component project costs include \$510,000 for the replacement CT unit, plus \$140,000 for construction/renovation work and \$110,709 in capitalized financing costs. *(December 8, 2005, Completeness Responses, Page 4)*
12. The total capital cost of \$760,709 for the CON proposal will be financed through a lease by the Applicant of \$620,709 and \$140,000 in operating funds. *(November 14, 2005, CON Application, Page 8)*
13. Applicant projects incremental revenue from operations, total operating expense and losses/gains from operations associated with the CON proposal for FY 2006 through FY 2008 as follows: *(November 14, 2005, CON Application, Page 73)*

Table 4: Incremental Financial Projections for FY 2006 through FY 2008

Description	FY 2006	FY 2007	FY 2008
Incremental Revenue from Operations	\$257,305	\$433,130	\$612,446
Incremental Total Operating Expense	\$175,281	\$281,496	\$325,821
Incremental (Loss)/Gain from Operations before provision for income taxes	\$82,024	\$151,634	\$286,625

14. Applicant's projected payer mix during the first three years of implementation and operation of the replacement CT scanner is as follows: *(November 14, 2005, CON Application, Page 9)*

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

Payer Mix	Year 1	Year 2	Year 3
Medicare	20.0%	20.0%	20.0%
Medicaid	1.0%	1.0%	1.0%
TriCare (CHAMPUS)	0.0%	0.0%	0.0%
Total Government	21.0%	21.0%	21.0%
Commercial Insurers	76.0%	76.0%	76.0%
Uninsured	0.0%	0.0%	0.0%
Workers Compensation	3.0%	3.0%	3.0%
Total Non-Government	79.0%	79.0%	79.0%
Total Payer Mix	100.00%	100.00%	100.00%

15. There is no State Health Plan in existence at this time. *(November 14, 2005, CON Application, Page 2)*
16. Applicant has adduced evidence that the proposal is consistent with Applicant's long-range plan. *(November 14, 2005, CON Application, Page 2)*

17. Applicant has improved productivity and contained costs by energy conservation, employing group purchasing practices, reengineering and the application of new technology. *(November 14, 2005, CON Application, Page 5)*
18. The proposal will not result in any change to Applicant's teaching and research responsibilities. *(November 14, 2005, CON Application, Page 6)*
19. The proposal will not result in any change to Applicant's patient/physician mix. *(November 14, 2005, CON Application, Page 6)*
20. Applicant has sufficient technical, financial and managerial competence and expertise to provide efficient and adequate service to the public. *(November 14, 2005, CON Application, Pages 4,5, 13-30)*

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 an existing service(s), the specific types of services proposed to be offered, the current utilization of services and the financial feasibility of the proposal.

Mandell & Blau, M.D.s, P.C., (“Applicant”) operates Buckland Hills Imaging Center, a multi-modality radiology office at 491 Buckland Road in South Windsor, Connecticut. The radiologic services provided at the office include magnetic resonance imaging, radiography, ultrasound, computed axial tomography, mammography, and bone densitometry. The Applicant proposes to acquire a replacement computed tomography (“CT”) scanner, a Toshiba Aquilion 8 Whole Body CT Scanner System to replace its General Electric ProSpeed Plus, single-slice CT scanner.

The Applicant determined the need to replace the existing single-slice CT scanner based on several factors; image quality; longer imaging time resulting in higher dosage of radiation to the patient than the more current technologies, limited control in processing or manipulating the image and reliability. The existing single-slice CT scanner is over ten years old, service technicians are unable to support the unit due to the limited supply of replacement parts and the lack of training available on older units. It has also had down time due to service issues delaying care for patients in the community.

The proposed replacement CT scanner will provide the following advantages or improvements; higher quality images; faster imaging time, reduced patient motion and radiation exposure and fewer repeat images required due to patient motion. 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 computed tomography services in the region.

The total capital expenditure for the CON proposal is of \$650,000 which does not include capitalized financing costs, plus \$110,709 in capitalized financing costs for a total capital cost of \$760,709. The project will be financed through a lease by the Applicant of \$620,709 and \$140,000 in operating funds. Applicant projects incremental gains from operations of \$82,024 in FY 2006, \$151,236 in FY 2007 and \$286,625 in FY 2008 associated with the project. Although OHCA cannot draw any conclusions, Applicant’s volume projections and the 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 Mandell & Blau, M.D.s, P.C. to acquire a replacement computed tomography scanner at a total capital cost of \$760,709, is hereby GRANTED.

Order

Mandell & Blau, M.D.s, P.C. (“Applicant”) is hereby authorized to acquire a replacement computed tomography (“CT”) scanner at a total capital cost of \$760,709, subject to the following conditions:

1. This authorization shall expire on July 31, 2007. Should the Applicant’s CT scanner replacement project not be completed by that date, Applicant must seek further approval from OHCA to complete the project beyond that date.
2. Applicant shall not exceed the approved total capital cost of \$760,709. In the event that Applicant learns of potential cost increases or expects that final project costs will exceed those approved, Applicant shall file with OHCA a request for approval of the revised CON project budget.
3. This authorization requires the removal of Applicant’s single-slice CT scanner for certain disposition, such as sale or salvage, outside of and unrelated to Applicant’s service provider locations. Furthermore, 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 20, 2006

Signed by Cristine A. Vogel
Commissioner

CAV: tf