

STATE OF CONNECTICUT
OFFICE OF HEALTH CARE ACCESS

M. JODI RELL
GOVERNOR

CRISTINE A. VOGEL
COMMISSIONER

April 21, 2009

IN THE MATTER OF:

An Application for a Certificate
of Need filed pursuant to
Sections 19a-638 & 19a-639, C.G.S. by

Notice of Final Decision
Office of Health Care Access
Docket Number: 08-31266-CON

Bristol Hospital

**Acquisition through Purchase of the Hospital's
Existing Leased Magnetic Resonance Imaging
Scanner**

Kurt Barwis
President/CEO
Bristol Hospital
41 Brewster Road
Bristol, CT 06011-0977

Dear Mr. Barwis:

This letter will serve as notice of the Final Decision of the Office of Health Care Access in the above matter as provided by Sections 19a-638 & 19a-639, C.G.S. On April 21, 2009, the Final Decision was rendered as the finding and order of the Office of Health Care Access. A copy of the Final Decision is attached hereto for your information.

By Order of the
Office of Health Care Access

A handwritten signature in cursive script, appearing to read "Cristine A. Vogel", written over a horizontal line.

Cristine A. Vogel
Commissioner

CAV:swl

Enclosure



Office of Health Care Access Certificate of Need Application

Final Decision

Applicant: Bristol Hospital

Docket Number: 08-31266-CON

Project Title: Acquisition through purchase of Bristol Hospital's Existing Leased Magnetic Resonance Imaging Scanner

Statutory Reference: Sections 19-638 & 19a-639 of the Connecticut General Statutes

Filing Date: March 12, 2009

Decision Date: April 21, 2009

Default Date: June 10, 2009

Staff Assigned: Steven W. Lazarus

Project Description: Bristol Hospital ("Hospital") proposes the acquisition through purchase of the Hospital's existing leased Magnetic Resonance Imaging ("MRI") scanner, at an estimated total capital expenditure of \$600,000.

Nature of Proceedings: On March 12, 2009, the Office of Health Care Access ("OHCA") received the completed Certificate of Need ("CON") application from the Hospital for the acquisition through purchase of its existing leased MRI scanner, at a total capital expenditure of \$600,000. The Hospital is a health care facilities or institutions as defined by Section 19a-630 of the Connecticut General Statutes ("C.G.S.").

Pursuant to Sections 19a-638 and 19a-639, C.G.S., a notice to the public concerning OHCA's receipt of the Hospital's Certificate of Need was published in *The Hour* on February 20, 2009. OHCA received no responses from the public concerning the Hospital's proposal.

OHCA's authority to review and approve, modify or deny the CON application is established by Sections 19a-638 and 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.

Clear Public Need

Impact of the Proposal on the Hospital'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. It is found that Bristol Hospital ("Hospital" or "Applicant") is a not-for-profit 154-bed acute care hospital located at 41 Brewster Road in Bristol, Connecticut. *(November 7, 200, 8Letter of Intent)*
2. It is found that the Hospital currently offers MRI services at the Hospital through the use of a Signa 1.5 Tesla MRI scanner, leased through Alliance Imaging ("Vendor"). The Hospital began offering MRI services through a lease agreement signed with the Vendor on September 13, 2004. *(February 17, 2009, Initial CON Application, page 8)*
3. It is found that the lease agreement between the Hospital and the Vendor states that the Hospital has the option to purchase the MRI scanner from the Vendor forty-eight (48) months following the start of the agreement date. *(February 17, 2009, Initial CON Application, page 8)*
4. The Applicant contends that the need for this proposal on increasing MRI volumes and the proposal being cost effective. *(February 17, 2009, Initial CON Application, pages 8- 10 & 20)*
5. The Hospital contends the following historical and projected MRI volumes fiscal years ("FYs") 2006-2011:

Table 1: Hospital's Historical & Projected MRI Utilization

	FY 2006	FY 2007	FY 2008	FY 2009 (Oct.-Jan.)	FY 2009 (Projected)	FY 2010	FY 2011
Number of MRI Scans	2,982	3,119	3,487	1,140	3,638	3,747	3,859

Note: MRI growth between 2006-2007=4.59%
MRI growth between 2007-2008-11.80%
The Hospital calculated the projected volumes based on a 3% increase in historical utilization
(February 17, 2009, Initial CON Application, pages 8-12)

6. The Hospital reported the following as their FY 2006-2008, breakdown of historical volume by Emergency Department, Inpatient and Outpatient:

Table 2: Hospital's Historical MRI Utilization Breakdown

Source	FY 2006	FY 2007	FY 2008
Inpatient	446	466	466
Outpatient	2,454	2,544	2,894
Emergency Dept.	82	109	127
Total	2,982	3,119	3,487

(March 12, 2009, Completeness Letter Responses, page 147)

7. The Hospital contends that purchasing the MRI rather than continuing to existing the lease option saves the Hospital approximately \$265,849 in the second half of FY 2009, \$432,360 in FY 2010 and \$464,814 in FY 2011, these savings are based on full years of contract services. *(February 17, 2009, Initial CON Application, page 9)*
8. The Hospital contends that the Bristol Radiology Center is the other provider of MRI service in the area and they operate a 0.7 Tesla open MRI scanner. *(February 17, 2009, Initial CON Application, pages 9 &13)*
9. The Hospital contends that this proposal will not impact the current providers of MRI service, as the Hospital is maintaining existing services in the area. *(February 17, 2009, Initial CON Application, page 13)*
10. The Applicant contends that currently the patients are scheduled for MRI scanning from 7:00 am to 8:30 pm, Monday through Friday and between 8:00 am to 5:00 pm on Saturdays. The Hospital does not anticipate any changes in the operating schedule. *(February 17, 2009, Initial CON Application, page 11)*

**Financial Feasibility and Cost Effectiveness 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 the Payers for Such Services and
 Consideration of Other Section 19a-637, C.G.S. Principles and Guidelines**

11. The Applicant contends that the project's total capital expenditure is \$600,000 for the purchase of 1.5 Tesla MRI scanner that the Hospital is currently leasing. *(February 17, 2009, Initial CON Application, page 17)*
12. The Applicant contends that the proposal will be financed through the Hospital's equity funds *(February 17, 2009, Initial CON Application, page 18)*
13. The Applicant contends that the Hospital's projected incremental revenues from operations are \$265,849, \$432,360 and \$464,814 for FYs 2009-2010, respectively. *(February 17, 2009, Initial CON Application, page 131)*
14. The Applicant contends that the Hospital based the projected incremental revenues are based on the annual savings compared to continuing the original lease agreement. *(February 17, 2009, Initial CON Application, page 131)*
15. The Applicant contends that the proposed purchase, when compared to continuing the leasing agreement will yield a cost savings of \$615,471, \$1,139,864 and \$1,191,670 for FYs 2009-2011, respectively. These savings are directly attributed to professional and contracted services. *(February 17, 2009, Initial CON Application, page 131)*
16. The current and three year projected payer mix for the Hospital (based on Gross Patient Revenue) is as follows:

Table 3: Hospital's Current & Three-Year Projected Payer Mix

Description	Current	Year 1	Year 2	Year 3
Medicare*	42.5%	42.9%	43.0%	43.0%
Medicaid*	13.2%	13.2%	13.2%	13.2%
CHAMPUS and TriCare	0.3%	0.3%	0.3%	0.3%
Total Government	56.0%	56.3%	56.5%	56.5%
Commercial Insurers*	39.7%	39.6%	39.5%	39.5%
Self Pay	2.2%	2.0%	2.0%	2.0%
Workers Compensation	2.1%	2.1%	2.0%	2.0%
Total Non-Government	44.0%	43.7%	43.5%	43.5%
Total Payer Mix	100%	100%	100%	100%

* Includes managed care activity.
(February 17, 2009, Initial CON Application, page 20)

17. The Hospital will bill for the MRI scans on the proposed MRI scanner. *(February 17, 2009, Initial CON Application, page 20)*
18. There is no State Health Plan in existence at this time. *(February 17, 2009, Initial CON Application, page 8)*

19. The Hospital has adduced evidence that the proposal is consistent with their long-range plans. *(February 17, 2009, Initial CON Application, page 8)*
20. The Hospital has improved productivity and contained costs through energy conservation, group purchasing, and applications of new technology. *(February 17, 2009, Initial CON Application, pages 14-158)*
21. The proposal will not result in any change to the Hospital's teaching and research responsibilities. *(February 17, 2009, Initial CON Application, page 15)*
22. There are no characteristics of the Hospital's patient/physician mix that make the proposal unique. *(February 17, 2009, Initial CON Application, page 15)*
23. The Hospital has sufficient technical, financial, and managerial competence and expertise to provide efficient and adequate service to the public. *(February 17, 2009, Initial CON Application, pages 14 & 54-71)*
24. The Hospital's rates are sufficient to cover the proposed capital expenditure and operating costs associated with the proposal. *(February 17, 2009, Initial CON Application, pages 131-144)*

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.

Bristol Hospital (“Hospital”) is an acute care hospital located at 41 Brewster Road in Bristol. The Hospital is proposing to purchase its existing leased magnetic resonance imaging (“MRI”) scanner from Alliance Imaging (“Vendor”).

The proposed MRI scanner provides services to the Hospital’s inpatients and emergency department patients and outpatients. This MRI scanner is the only MRI operating at the Hospital. The Applicants demonstrated the continued need for the MRI and based this proposal strongly on its cost-effectiveness of owning rather than leasing. OHCA has concluded that the proposed MRI scanner continues to maintain access to quality and necessary services at the Hospital’s main campus.

The total capital expenditure associated with the purchase of the existing leased MRI scanner is \$600,000. The Hospital proposes to finance this proposal through Hospital’s equity funds. As a result of purchasing the existing MRI scanner the Hospital is projecting incremental profit through savings in each of the first three years of this proposal. These savings are directly related to professional and contracted services. The Hospital’s financial projections upon which they are based appear to be reasonable and achievable. Therefore, OHCA finds that the CON proposal is cost effective and financially feasible.

Based on the foregoing Findings and Rationale, the Certificate of Need application of Bristol Hospital ("Hospital") to purchase its existing leased 1.5 tesla magnetic resonance imaging ("MRI") scanner, at a total capital expenditure of \$600,000, is hereby **GRANTED**, subject to the following conditions.

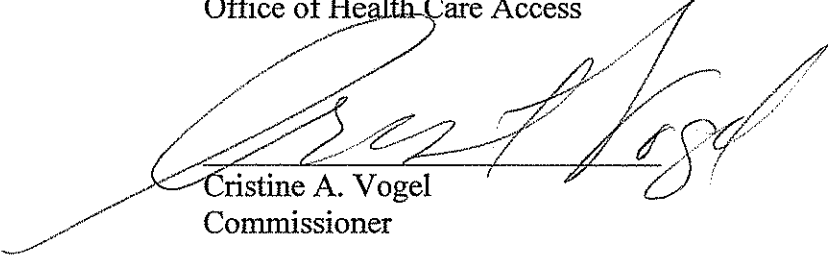
1. This authorization shall expire on April 30, 2010. Should the Hospital's purchase of the existing MRI scanner not be completed by that date, the Hospital must seek further approval from OHCA to complete the project beyond that date.
2. The Hospital shall not exceed the approved capital expenditure of \$600,000. In the event that the Hospital learns of potential cost increases or expects that final project costs will exceed those approved, the Hospital shall immediately notify OHCA.
3. This authorization allows the Hospital to purchase its existing leased MRI scanner from Alliance Imaging ("Vendor").
4. After the Hospital completes the purchase of the leased MRI scanner from the Vendor, the Hospital shall file with OHCA evidence of the purchase of the Hospital's existing leased MRI scanner.

Should the Hospital fail to comply with any of the aforementioned conditions, OHCA reserves the right to take additional action as authorized by law.

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

4-21-09
Date


Cristine A. Vogel
Commissioner

CAV:swl