



## Office Of Health Care Access Certificate of Need Application

### Final Decision

**Applicant:** Yale University Health Services

**Docket Number:** 08-31250-CON

**Project Title:** Acquisition and Operation of a Fixed-Based, 1.5 Tesla-Strength MRI Scanner

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

**Filing Date:** February 10, 2009

**Decision Date:** April 29, 2009

**Default Date:** May 11, 2009

**Staff Assigned:** Jack A. Huber

**Project Description:** Yale University Health Services proposes to acquire and operate a fixed-based, 1.5 tesla-strength MRI scanner for its health center in New Haven, Connecticut, at an estimated total capital expenditure of \$2,100,000.

**Nature of Proceedings:** On February 10, 2009, the Office of Health Care Access (“OHCA”) received a Certificate of Need (“CON”) application from Yale University Health Services (“Applicant”) seeking authorization to acquire and operate a General Electric, Signa HDxt, 1.5 tesla-strength EchoSpeed MRI scanner for its health center in New Haven, at an estimated total capital expenditure of \$2,100,000.

A notice to the public concerning OHCA’s receipt of the Applicant’s Letter of Intent to file its CON application was published in *The New Haven Register* on October 21, 2008, pursuant to Sections 19a-638 and 19a-639, of the Connecticut General Statutes (“C.G.S.”). OHCA received no responses from the public concerning the Applicant’s proposal.

Pursuant to Sections 19a-638 and 19a-639, C.G.S., three individuals or an individual representing an entity with five or more people had until March 3, 2009, 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.

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.

## 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. It was found that Yale University Health Services ("Applicant") is an employer-owned staff model health maintenance organization ("Health Plan"), located at 17 Hillhouse Avenue in New Haven, Connecticut. *(February 10, 2009, Initial CON Submission, page 3)*
2. It was found that the Applicant is in the process of building a new health care facility at 55 Lock Street in New Haven, which is two blocks from the current facility. The new facility's planned date of occupancy is mid-2010. *(February 10, 2009, Initial CON Submission, page 3)*
3. It was found that the Health Plan, owned and self-insured by Yale University, is the principal health care benefit for Yale University employees and is the primary health care service for university students, faculty and staff (collectively identified as "health plan members"). *(February 10, 2009, Initial CON Submission, page 3)*
4. It was found that the Applicant provides comprehensive health care services to approximately 33,000 health plan members, who primarily reside in the greater New Haven area. *(February 10, 2009, Initial CON Submission, page 3)*
5. It was found that the Applicant is licensed to provide the following on-site services:
  - Ambulatory care through an outpatient clinic license;
  - Ambulatory surgery through an outpatient surgical facility license;
  - A fourteen bed long-term care service through a chronic and convalescent nursing home license; and
  - A nine bed infirmary service through an infirmary operated by an educational institution license.*(February 10, 2009, Initial CON Submission, page 3)*
6. The Applicant offers a wide array of services including pharmacy, physical therapy, infusion oncology, imaging, endoscopy, dermatology and orthopedic care. *(February 10, 2009, Initial CON Submission, page 7)*

7. The Applicant contends that health plan members have access to the following on-site radiology services: plain film, fluoroscopy, CT and ultrasound. Imaging services are available weekdays 8:00 am to 6:00 pm and Saturdays from 9:00 am to 1:00 pm. *(February 10, 2009, Initial CON Submission, pages 3 and 10)*
8. The Applicant contends its service area encompasses the following towns: New Haven, Hamden, Branford, West Haven, North Haven, Guilford, East Haven, Woodbridge, Cheshire, and Wallingford. The percentage of enrollees residing in those towns represents approximately 82% of the Health Plan membership. *(February 10, 2009, Initial CON Submission, page 9)*
9. The Applicant contends that the Health Plan membership has increased by 1% to 2% per fiscal year and with an expectant membership increase of 2% per year over future fiscal years ("FY"). *(October 14, 2008, Letter of Intent, page 7)*
10. The Applicant contends that the proposal is based on the following elements:
  - The need to provide a seamless integration of this MRI services within the Health Plan that will promote appropriate utilization of health care resources and continuity of care;
  - The benefits that will be receive from directly integrating MRI into the Health Plan's electronic medical record system; and
  - The need as a self-insured health care provider to reduce technical fee payments in order to restrain future premium fee increases. *(February 10, 2009, Initial CON Submission, page 4)*
11. The Applicant contends the following with respect to MRI imaging services:
  - The majority of MRI exams needed for Health Plan members are performed at Yale-New Haven Hospital ("YNHH");
  - One of the fastest growing cost items for the Health Plan has been the charges by YNHH for the technical fees associated with performing the MRI exams; and
  - The number of referred MRI scans to YNHH has increased by an average of 15% annually, while technical fees have increased at an average rate of 31% annually. *(February 10, 2009, Initial CON Submission, pages 5 and 6)*
12. The Applicant contends the following table illustrates the Health Plan's MRI service experience with YNHH from FYs 2003 through 2008:

**Table 1: Referred Number of MRI Scans & Technical Fees Paid to YNHH**

Description	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Scans Referred	821	904	1,052	1,232	1,534	1,654
Tech. Fees Paid	\$646,474	\$741,967	\$946,943	\$1,139,918	\$1,530,056	\$1,659,017

*(February 10, 2009, Initial CON Submission, pages 5 and 6)*

13. The Applicant contends that all expenses associated with the Health Plan are covered by premiums born by Yale University students and research activities. There is no profit built into the premium calculation nor is there third party reimbursement for services to health plan members. *(February 10, 2009, Initial CON Submission, pages 3 and 4)*

14. The Applicant contends that in recent fiscal years the annual premium increase has averaged 8.58%. The projected increase for January 2010 is 6.5%. *(February 10, 2009, Initial CON Submission, page 3)*
15. The Applicant provided an MRI payback analysis that contends that the Health Plan could save approximately \$1 million annually if it conducts MRI services in-house. The savings would be generated through a reduction in annual operating expenses associated with the elimination of the technical fees paid to area MRI service providers. *(February 10, 2009, Initial CON Submission, page 5 and Financial Attachment II, MRI payback analysis, pages 25 and 26)*
16. The Applicant contends that the operating savings could effectively forestall premium increases to the health plan membership during the period FY 2011 through FY 2015. *(February 10, 2009, Initial CON Submission, page 5 and Financial Attachment II, MRI payback analysis, pages 25 and 26)*
17. With respect to benefits to be derived from establishment of the proposed MRI service, the Applicant contends the Health Plan anticipates the following objectives will be achieved:
- The ability to offer routine MRI service will comport with its model of single-site, comprehensive care and meet current ambulatory practice standards and patient expectations;
  - Inpatients and urgent care patients will have access to this diagnostic modality without delays, costs and discomfort associated with ambulance trips to and from off-site imaging centers;
  - There will no longer be the need for a full time office assistant whose time has been previously devoted to scheduling MRI exams and retrieving exam reports from outside imaging providers; and
  - Direct transfer of imaging information to a member's electronic record that will:
    - Expedite reporting to clinicians;
    - Decrease the potential for error; and
    - Improve patient safety and quality of care.*(February 10, 2009, Initial CON Submission, pages 5 and 6)*
18. In addition to YNHH, the Health Plan has used the following area MRI service providers:
- Connecticut Orthopedic Specialists in Branford & Hamden;
  - Southern Connecticut Imaging in Hamden; and
  - Yale New Haven Ambulatory Services Corporation's Temple Radiology in New Haven.
- (February 10, 2009, Initial CON Submission, pages 10 and 11)*

19. The Applicant contends that MRI volumes for FYs 2006 through 2008, are as follows:

**Table 2: Actual MRI Volume by Site & Total for FYs 2006 through 2008**

Description	FY 2006	FY 2007	FY 2008
Yale-New Haven Hospital – Closed Units	1,232	1,534	1,654
Connecticut Orthopedic Specialists – Closed Unit	69	117	99
Southern Connecticut Imaging – Open MRI Unit	10	7	13
YNHASC Temple Radiology, New Haven	83	0	0
<b>Total MRI Scans</b>	<b>1,394</b>	<b>1,658</b>	<b>1,766</b>

*(February 10, 2009, Initial CON Submission, page 10 and Utilization Data- Attachment A, page 27)*

20. The Applicant contends that MRI volume projections for the first four fiscal years of operation, FYs 2011 through 2014, is presented as follows *(February 10, 2009, Initial CON Submission, page 24)*

**Table 3: Projected MRI Volume for FYs 2011 through 2014**

Description	FY 2011	FY 2012	FY 2013	FY 2014
Total Scans	1,801	1,855	1,910	1,968

Note: The volume projections are based on current utilization of the imaging modality by health plan members and anticipated growth in the plan's annual membership.

*(February 10, 2009, Initial CON Submission, Financial Attachment I, page 24)*

21. The Health Plan in collaboration with Yale Diagnostic Radiology will be responsible for providing the proposed MRI services. Yale Diagnostic Radiology is the professional service responsible for providing the reading and interpretation of the plan's imaging exams. *(February 10, 2009, Initial CON Submission, page 11)*

22. The proposed MRI scanner will meet or exceed all American College of Radiology guidelines. *(February 10, 2009, Initial CON Submission, pages 13 and 14)*

23. The proposed MRI scanner will be installed within the new facility's radiology department. The department will measure 7,415 square feet of which 365 square feet will be allocated for the purposes of providing the proposed MRI service. *(February 10, 2009, Initial CON Submission, pages 17 and 18)*

24. The proposed service is scheduled to begin operations in mid-June 2010. *(February 10, 2009, Initial CON Submission, page 19)*

**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**

25. The Applicant contends that the proposal's total capital expenditure is \$2,100,000 with \$1,800,000 allocated for the equipment purchase and \$300,000 allocated for installation and building costs. *(February 10, 2009, Initial CON Submission, pages 17 and 18)*

26. The Applicant contends that the project will be funded through an equity cash contribution from Yale University. *(February 10, 2009, Initial CON Submission, page 20)*
27. The Applicant contends that incremental operating gains or net cash savings with the project of \$797,000, \$1,073,000 and \$1,165,000 for the first three full operating FYs 2011 through 2013, respectively.

**Table 4: Incremental Projections with MRI Service Implementation In-House**

Description	FY 2011	FY 2012	FY 2013
Incremental Revenue from MRI Operations	\$0	\$0	\$0
Health Plan MRI Operating Expenses	\$541,000	\$563,000	\$573,000
Projected Health Plan Expense Reduction*	(\$1,338,000)	(\$1,636,000)	(\$1,738,000)
<b>Net Health Plan MRI Cash Savings</b>	<b>\$797,000</b>	<b>\$1,073,000</b>	<b>\$1,165,000</b>

Note:\* Includes inpatient hospital, supplemental pharmacy benefit, outpatient hospital and technical fees. *(February 10, 2009, Initial CON Submission, Financial Attachment I, page 24)*

28. There is no State Health Plan in existence at this time. *(February 10, 2009, Initial CON Submission, page 4)*
29. The Applicant has adduced evidence that the proposal is consistent with its long-range plan. *(February 10, 2009, Initial CON Submission, page 4)*
30. The proposal will not affect the teaching or research responsibilities of the Applicant. *(February 10, 2009, Initial CON Submission, page 16)*
31. The Applicant has improved productivity and contained costs by undertaking facility energy conservation measures, employing group purchasing practices, and by participating in activities involving reengineering and applications of new technologies. *(February 10, 2009, Initial CON Submission, pages 15 and 16)*
32. The Applicant's current payer mix and projected payer mix during the first three years of operating the proposed MRI scanner is presented in the following table: *(February 10, 2009, Initial CON Submission, pages 21 and 22)*

**Table 5: Current and Three-Year Projected Payer Mix with the CON Proposal\***

Payer Mix	Current Yr.	Year 1	Year 2	Year 3
Medicare	0.30%	0.35%	0.35%	0.33%
Medicaid	0.00%	0.00%	0.00%	0.00%
<b>Total Government</b>	<b>0.30%</b>	<b>0.35%</b>	<b>0.35%</b>	<b>0.33%</b>
<b>Total Non-Government</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>
Other*	99.70%	99.65%	99.65%	99.67%
<b>Total Payer Mix</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

\* Note: YUHS is owned and self-insured by Yale University as principal health care benefit for Yale employees and is the primary health care service for university students, faculty and staff.

33. The proposal will not result in any change to the Applicant's current patient/physician mix. *(February 10, 2009, Initial CON Submission, pages 16, 21 and 22)*

34. The Applicant possesses sufficient technical, financial and managerial competence and expertise to provide efficient and adequate service to the public. *(February 10, 2009, Initial CON Submission, page 14 and Attachment C, pages 124 through 148)*
35. The Applicant's rates are sufficient to cover the proposed capital expenditures and operating costs associated with the proposal. *(February 10, 2009, Initial CON Submission, page 24)*

## 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.

Yale University Health Services ("Applicant") is a staff model health maintenance organization ("Health Plan"), which is owned and self-insured by Yale University. The Health Plan provides comprehensive health care services exclusively to the Yale University community at its Hillhouse Avenue facility located in New Haven, Connecticut. Operating twenty-four hours a day, seven days a week, the Health Plan serves approximately 33,000 university faculty, staff, students and their dependents. In 2010 the Applicant will be moving two blocks from its current location to a new facility located at 55 Lock Street in New Haven.

The Applicant is proposing to establish a MRI service at the Lock Street facility. The proposed services will be utilized exclusively for diagnostic examination of health plan members. The proposal includes the acquisition and operation of a General Electric, Signa HDxt, 1.5 tesla-strength EchoSpeed MRI scanner. The proposal represents an additional imaging modality for the Health Plan's existing radiology service, which currently offers plain film, fluoroscopy, CT and ultrasound imaging. The Applicant in collaboration with Yale Diagnostic Radiology, the professional service responsible for providing the reading and interpretation of imaging examinations at the Health Plan, will be responsible for providing the service. The proposed scanner will meet or exceed all American College of Radiology guidelines for MRI services.

Approximately 1,800 diagnostic examinations of health plan members are now being referred annually to off-site MRI providers. The proposal will enable the Applicant to provide a seamless integration of MRI services within the Health Plan that will promote appropriate utilization of health care resources and continuity of care. The ability of the Applicant to offer routine MRI service will comport with its model of single-site, comprehensive care and meet current ambulatory practice standards and patient expectations. Additionally, direct transfer of imaging information to a member's electronic record will expedite reporting to clinicians and decrease the potential for error, thereby improving patient safety and quality of care. Lastly, inpatients and urgent care patients will have access to this diagnostic modality

without delays, costs and discomfort associated with ambulance trips to and from off-site imaging centers. Consequently, the establishment of MRI services will provide health plan members with improved access to current MRI scanning technology. Based on the aforementioned reasons, OHCA finds that the CON proposal will improve both the quality and accessibility of MRI imaging services for members of the Health Plan.

The total capital expenditure for the CON proposal is \$2,100,000. The project will be financed entirely through an equity contribution from Yale University. The Applicant projects incremental operating gains or net cash savings with the proposal of \$796,000, \$1,073,000 and \$1,165,000 in fiscal years 2011 through 2013, respectively. The incremental gains are born from the operating savings the Health Plan expects to generate through a reduction in annual operating expenses primarily associated with the elimination of the technical fees paid to area MRI service providers. The operating savings are expected to effectively forestall premium increases to the health plan membership during the period FY 2011 through FY 2015. Based on the above, OHCA finds that the CON proposal is both financially feasible and cost effective.



## Order

Based upon the foregoing Findings and Rationale, the Certificate of Need application of Yale University Health Services ("Applicant") to acquire and operate a fixed-based, 1.5 tesla-strength MRI scanner for its health center in New Haven, at a total capital expenditure of \$2,100,000, is hereby GRANTED, subject to the following conditions:

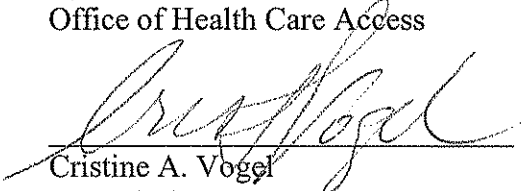
1. This authorization shall expire on July 1, 2011. Should the Applicant's project not be completed by that date, the Applicant must seek further approval from OHCA to complete the project beyond that date.
2. The Applicant shall not exceed the approved total capital expenditure of \$2,100,000. In the event that the Applicant learns of potential cost increases or expects that final project costs will exceed those approved, the Applicant shall immediately notify OHCA.
3. The Applicant shall notify OHCA in writing of the following information by no later than one month after the MRI scanner becomes operational:
  - a) The name of the MRI scanner manufacturer;
  - b) The model name and description of the MRI scanner; and
  - c) The initial date of the operation of the MRI scanner.
4. Should the Applicant propose any change in its MRI service, the Applicant shall file with OHCA a Certificate of Need Determination Request or Certificate of Need Letter of Intent regarding the proposed service change.

Should the Applicant 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.

4-29-09  
Date

By Order of the  
Office of Health Care Access

  
Cristine A. Vogel  
Commissioner