

STATE OF CONNECTICUT

DEPARTMENT OF PUBLIC HEALTH

OFFICE OF COMMISSIONER

November 5, 2009

IN THE MATTER OF:

An Application for a Certificate
of Need filed pursuant to
Section 19a-639, C.G.S. by:

**Jefferson Radiology, P.C. and
Medical Imaging Center, P.C.**

Notice of Final Decision
Office of Health Care Access
Docket Number: 09-31322-CON

**Acquisition of a Magnetic Resonance
Imaging Scanner and a Computed
Tomography Scanner in Bloomfield as
part of a Physician Practice merger**

To: Jean L. Conover
CEO
Jefferson Radiology, P.C.
111 Founders Plaza
East Hartford, CT 06108

Carla R. Sandberg, MD
President
Medical Imaging Center, P.C.
6 Northwestern Drive
Suite 102
Bloomfield, CT 06002

Dear Ms. Conover and Dr. Sandberg:

This letter will serve as notice of the Final Decision of the Office of Health Care Access in the above matter, as provided by Section 19a-639, C.G.S. On November 5, 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.

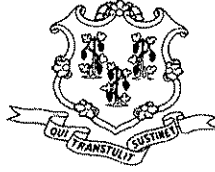
By Order of the Division of
Office of Health Care Access
Department of Public Health



Cristine A. Vogel
Deputy Commissioner

CAV: cgc
Enclosure





**Department of Public Health
Office of Health Care Access
Certificate of Need Application**

Final Decision

Applicant: Jefferson Radiology, P.C. &
Medical Imaging Center, P.C.

Docket Number: 09-31322-CON

Project Title: Acquisition of a Magnetic Resonance Imaging
Scanner and a Computed Tomography Scanner in
Bloomfield as part of a Physician Practice merger

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

Filing Date: July 10, 2009

Decision Date: November 5, 2009

Default Date: November 7, 2009

Staff: Carmen Cotto
Steven W. Lazarus

Project Description: Jefferson Radiology, P.C. ("JR") and Medical Imaging Center, P.C. ("MIC") (together referred herein as "Applicants") are submitting a proposal to have JR acquire a Magnetic Resonance Imaging ("MRI") Scanner and a Computed Tomography ("CT") Scanner from the MIC's Bloomfield office as part of a Physician merger at a total capital cost of \$1,129,517.

Nature of Proceedings: On July 10, 2009, the Office of Health Care Access ("OHCA") received a Certificate of Need ("CON") application from JR and MIC regarding a proposal to have JR acquires a MRI scanner and a CT scanner from the MIC's Bloomfield office as part of a Physician Practice merger at a total capital cost of \$1,129,517.

A notice to the public concerning OHCA's receipt of the Applicants' Letter of Intent was published on March 27, 2009, in *The Hartford Courant*. OHCA received no response from the public concerning the Applicants' proposal. Pursuant to Section 19a-639 of the Connecticut General Statutes ("C.G.S.") three individuals or an individual representing an entity with five or more people had until July 31, 2009, 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.

OHCA's authority to review, 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 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 is found that Jefferson Radiology, P.C. ("JR") is a private physician radiology practice, with 45 physicians and 7 offices located throughout the Greater Hartford region in Avon, Enfield, Farmington, Glastonbury, Hartford, West Hartford, and Wethersfield with a contact address at 111 Founders Plaza in East Hartford. JR offers the following imaging services at its current locations:

Table 1: Current JR Office Locations and Imaging Services

JR's Current Locations	Current Services: MRI, CT or None*
Avon	MRI (High Field /Wide Bore) & CT scan
Enfield	Open MRI
Farmington	None*
Glastonbury	MRI (High Field and Closed Bore) & CT scan (Helical)
Hartford	CT scan (Multidetector)
West Hartford	MRI (High Field) & CT scan (Helical)
Wethersfield	MRI (Wide Bore) & CT scan

**Indicates no MRI or CT services offered
(June 17, 2009, Initial CON Application, pages 9-12)*

2. It is found that Medical Imaging Center, P.C. ("MIC") is a private physician radiology practice with 7 physicians and 6 office locations in the towns of Bloomfield, Granby, Rocky Hill, Simsbury, Wethersfield, and Windsor with a contact address at 6 Northwestern Drive, Suite 102, in Bloomfield. MIC offers the following imaging services at its current locations:

Table 2: Current MIC Office Locations and Imaging Services

MIC's Current Locations	Current Services: MRI, CT or None*
Bloomfield	MRI & CT scan
Granby	None*
Rocky Hill	MRI (Open) & CT scan
Simsbury	MRI (Open)
Wethersfield	None*
Windsor	None*

*Indicates no MRI or CT services offered
(June 17, 2009, Initial CON Application, pages 10 and 12)

3. JR and MIC (together referred herein as "Applicants") propose to have JR acquire the MRI and CT scanners located at MIC's Bloomfield office and the assets in the Granby office, upgrade the software and hardware of the MRI scanner, and close MIC's locations in Rocky Hill, Simsbury, Wethersfield, and Windsor. (June 17, 2009, Initial CON Application, page 10)
4. The Applicants contend that none of the modalities in the Granby office required CON authorization. MIC provides the following services at the Granby office: Ultrasound, Bone Density, Mammography with CAD, and X-Ray. (June 17, 2009, Initial CON Application, pages 10 & 12)
5. MIC contends that they will remove and sell the existing MRI scanners in Rocky Hill and Simsbury, as well as the CT scanner in Rocky Hill to buyers who will not operate the scanners out of any location in Connecticut. Potential buyers for these scanners have not yet been contacted.

Table 3: Services by Office Location after the proposal

Existing JR Locations	Services after the proposal: MRI, CT or None*	Will continue operations Yes/No
Avon	MRI & CT scan	Yes
Enfield	Open MRI	Yes
Farmington	None*	Yes
Glastonbury	MRI(2) & CT scan	Yes
Hartford	CT scan	Yes
West Hartford	MRI & CT scan	Yes
Wethersfield	MRI & CT scan	Yes
Existing MIC Locations		
Bloomfield	MRI & CT scan	Yes**
Granby	None*	Yes**
Rocky Hill	None*	No
Simsbury	None*	No
Wethersfield	None*	No
Windsor	None*	No

*Indicates no MRI or CT services will be offered.
**These sites will continue operations under JR.
(June 17, 2009, Initial CON Application, pages 10-12)

6. The Applicants provided a Letter of Agreement (“Agreement”) between MIC and JR as evidence to support MIC’s intention to remove and dispose of the existing MRI and CT scanners currently located at Rocky Hill and Simsbury to offices outside of Connecticut. *(July 10, 2009, Completeness Response, page 489 and Letter of Agreement, pages 408-413)*
7. The Applicants contend that with the closing of four MIC’s locations in Rocky Hill, Simsbury, Wethersfield, and Windsor, JR will avoid duplication of services within the same area since some of the JR locations already offer the same modalities that will be eliminated. *(June 17, 2009, Initial CON Application, page 14)*
8. The Applicants assert that service area towns included in MIC’s Bloomfield office for MRI and CT scanners were based on the towns that comprised minimum 70% of the towns of patient origin and they are as follows:

Table 4: Proposed Service Area for Bloomfield MRI & CT

<i>Equipment</i>	<i>Service Area Towns</i>
CT	Bloomfield, East Granby, Enfield, Granby, Hartford, Simsbury, West Hartford, Windsor and Windsor Locks
MRI	Bloomfield, East Granby, Enfield, Granby, Hartford, Simsbury, Suffield, West Hartford, Windsor and Windsor Locks

(June 17, 2009, Initial CON Application, pages 16 and July 10, 2009, Completeness Response, page 492)

9. The Applicants contend that the MIC’s Bloomfield office location is in close proximity to well over 100 physicians who refer patients to the Bloomfield location. *(October 2, 2009 Supplemental Letter, page 511)*
10. The Applicants contend that the recent increase in utilization volume for all of the modalities at the Bloomfield office serves as evidence to support the need to maintain the current and ongoing services at this location. During the first seven months of FY2009 the Bloomfield office has generated 44% of the MIC’s total procedures volume.

Table 5: MIC’s Bloomfield Office Utilization vs. Total Practice Utilization (All Modalities)

(1)	(2)	(3)	(4)
Fiscal Year	FY2008	FY2009 (7 months)	FY2009 (Annualized)*
Bloomfield office volume	21,158	12,401	21,259
Total procedures volume practice wide	51,547	28,294	48,504
Bloomfield office % of Total Volume Practice-Wide	41%	44%	44%

**FY2009Annualized= (FY2009 7months ÷7) x12 months (as calculated by OHCA)
(October 2, 2009 Supplemental Letter, page 512)*

11. OHCA recognizes that based on seven months of data provided by the Applicants, the annualized volume for all modalities during FY2009 at the Bloomfield office equaled to 44% of the MIC’s total volume practice-wide.
12. The Applicants contend that JR’s Glastonbury, Wethersfield and Avon locations will be absorbing the MRI and CT Scanners volume, coming from the MIC’s Rocky Hill and

Simsbury discontinued locations. This volume along with the additional volume from the MIC's Bloomfield office and JR offices' current volume, will present a staffing challenge for the practice during the late evening hours and weekends. (October 2, 2009 Supplemental Letter, page 516)

13. The Applicants provided an analysis based on current hours of operations versus standard hours of operation for JR's locations with high magnetic field MRI and CT Scanners as evidence to support that JR locations are operating at capacity. (October 2, 2009 Supplemental Letter, pages 514 and Attachment III, pages 535-539)
14. The Applicants contend that based on JR's current expanded hours of operation and actual volumes for the first eight months of FY2009, high field MRI equipment is operating at approximately 75% utilization, and with JR's current volume, the practice would be operating at 116% utilization if routine hours of operation were offered.

Table 6: JR's – High Field MRI Equipment's Utilization Percentage Rate (January 2009-August 2009)

Location	Avon	Glastonbury	Glastonbury	West Hartford	Wethersfield*	Total (8 months)
MRI Scans	1.5 Tesla	1.5 Tesla	1.5 Tesla	1.5 Tesla	1.5 Tesla	Combined
Current hours open per week	68	70	92	100	51	-
Capacity**	3,218	4,253	5,219	5,381	2,390	20,461
Total number of exams	2,480	3,437	3,248	4,164	1,935	15,264
Utilization %***	77%	81%	62%	77%	81%	75%

* Joint Venture with Hartford Hospital; starting date for MRI services March 20, 2007; Docket#:05-30433

**Capacity and Utilization calculations are based on current hours of operation

***Utilization percentage = Total number of exams performed / Total capacity

(October 2, 2009 Supplemental Letter, pages 514-515 and Attachment III, pages 535-539)

15. The Applicants contend that although more manageable and extended hours have not had to be implemented to the same degree as for the CT equipment, utilization figures are still high at 72% under JR's current expanded hours of operations and they would increase to 80% practice-wide if all scanners were operated at standard operating hours.

Table 7: JR's – CT Equipment's Utilization Percentage Rate (January 2009-August 2009)

Location	Avon	Glastonbury	Glastonbury	West Hartford	Wethersfield*	Total (8 months)
CT Scans	(8 slice)	(64 slice)	(Dual slice)	(32 slice)	(64 slice)	Combined
Current - hours open per week	45	56	45	45	51	-
Capacity**	3,717	6,585	4,567	4,720	5,226	24,816
Total number of exams	2,358	4,870	3,354	3,631	3,565	17,778
Utilization %***	63%	74%	73%	77%	68%	72%

* Joint Venture with Hartford Hospital; starting date for MRI services March 20, 2007; Docket#:05-30433

**Capacity and Utilization calculations are based on current hours of operation

***Utilization percentage = Total number of exams performed / Total capacity

(October 2, 2009 Supplemental Letter, pages 516-517 and Attachment III, pages 535-539)

16. The Applicants contend that the total volume growth at all JR locations was projected to increase by 3% has actually increased by 12.7%, and 8%, for MRI and CT scans, respectively, in FY2009.

Table 8: JR's - MRI and CT Scans Volume*

	Actual	Actual	Actual	8 months	Annualized**
MRI Scans	FY2006	FY2007	FY2008	FY2009	FY2009
West Hartford (1.5T)closed)	6,087	6,159	6,161	4,164	6,246
Glastonbury (#1) (1.5T)	6,575	5,931	5,283	3,437	5,156

Glastonbury (#2) (1.5T)	1,454	2,106	4,677	3,248	4,872
Avon (1.5T)	1,693	2,308	2,517	2,480	3,876
Wethersfield (1.5T Closed)***	N/A	1,115	1,823	1,935	2,903
Total	15,809	17,619	20,461	15,264	23,052
Volume Growth	-	11.45%	16.13%	-	12.66%
CT Scans					
West Hartford (64 slice)	2,955	4,498	4,918	3,565	5,348
Glastonbury (64 slice)	5,350	5,094	6,044	4,870	7,305
Avon (8 slice)	2,747	3,057	3,048	2,358	3,537
Hartford (Dual slice)	5,756	5,498	5,204	3,354	5,031
Wethersfield (32 slice)	4,953	5,523	5,495	3,631	5,447
Total	21,761	23,670	24,709	17,778	26,668
Volume Growth	-	9%	4%	-	8%

*Volume is based on Fiscal Years and is the same as Calendar Years, therefore, begins January 1 and ends December 31.

**Based on 8 months volume statistics

*** Joint Venture with Hartford Hospital; starting date for MRI services March 20, 2007;

Docket#:05-30433

(June 17, 2009, Initial CON application, pages 16-17 and October 2, 2009 Supplemental Letter, 513-515 and Attachment III, pages 535-539)

- The overall volume growth of MRI and CT scans projected by the Applicants at the Bloomfield location results to an average of 3% per year between FY2010 to FY2012.

Table 9: MIC's Bloomfield Location Current and Projected – MRI and CT scan Volume*

MIC's Scans	Annualized*** FY2009	Projected Annualized FY2010	Projected Annualized FY2011	Projected Annualized FY2012	Annual Projected ***% Growth FY2010 - FY2012
MRI Scans					
Bloomfield – 1.5T	1,533	1,883	1,939	1,997	3%
CT Scans					
Bloomfield (4 slice)	2,454	2,510	2,585	2,663	3%

*Volume is based on Fiscal Years and is the same as Calendar Years, therefore, beginning January 1 and ending December 31, and takes into consideration historical growth, capacity and equipment upgrades.

**Projected % growth averages were totaled by OHCA.

***Based on 4 months volume statistics

(June 17, 2009, Initial CON Application, page 22, and July 10, 2009, Completeness Response, pages 496-497)

- JR provided a copy of their Marketing Plan as evidence to support its intention to increase the projected MRI volume at the Bloomfield location. (July 10, 2009, Completeness Response Attachment II- Marketing Plan, pages 502-504)
- The Applicants contend that the upgrade of the MRI at the Bloomfield location through the addition of an 8-channel package and four additional coils will not provide “new services” but will improve the quality and speed of imaging. (June 17, 2009, Initial CON Application, page 20, and July 10, 2009, Completeness Response, pages 492-493)
- The Applicants state that they incorporated all of the American College of Radiology (ACR) standards and guidelines in their policies and procedures. JR’s and MIC’s

scanners are accredited by the ACR. (June 17, 2009, Initial CON Application, page 25 and Attachments III-ACR Guidelines & IV-ACR Certificates, pages 100-163)

Financial Feasibility of the Proposal and its Impact on the Applicant's Rates and Financial Condition
Rates Sufficient to Cover Proposed Capital and Operating Costs
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

21. The Applicants provided documentation regarding quotes for the fair market value of the MRI and CT scanners and the upgrade. The proposed total capital cost associated with this proposal is \$1,129,517 and consists of the following:

Table 10: Proposal's Cost Components/Total Capital Cost

Medical Equipment (MRI & CT upgrades)	\$ 405,205
Sales on Tax on upgrade	\$24,312
Total Capital Expenditure	\$429,517
Medical Equipment (Lease (FMV-MRI & CT)	\$700,000
Total Capital Cost	\$1,129,517

(June 17, 2009, Initial CON Application, pages 31-32, and Attachment IX-Fair Market Value Quotes, pages 437-460)

22. JR's source of financing for the proposal will be through a conventional loan - line of Credit from TD Banknorth. (June 17, 2009, Initial CON Application, page 33, and Attachment X-Letter of Interest, pages 461-462)

23. The Applicants provided the following evidence to verify the availability of funds:

- Letter of interest from TD Banknorth; and
- JR's Independent Accountant's Compilation Report: *Statements of Assets, Liabilities, Shareholder's Equity, Revenues and Expenses and Cash Flow.* (June 17, 2009, Initial CON Application, Attachment X-Letter of Interest, pages 461-462)

24. The Applicants project an incremental loss in FY 2009 primarily due to the acquisition costs. The projected operating loss in FY 2009 is modest and includes all imaging modalities. The Applicants' projections of incremental gains and losses from operations as a result of this proposal are as follows:

Table 11: JR's Projected Incremental Gains and Losses

Fiscal Year	Projected FY2009	Projected FY2010	Projected FY2011	Projected FY2012
Revenue from Operations	\$1,184,250	\$5,181,250	\$5,388,222	\$5,603,979
Total Operating Expenses	\$1,392,444	\$4,928,454	\$5,065,449	\$5,203,686
Total Gains/(Loss) from Operations	(\$208,194)	\$252,796	\$322,773	\$400,293

(June 17, 2009, Initial CON Application, page 36 & Attachment XI- Financial Attachments I and II, pages 463-471, and July 10, 2009, Completeness Response, page 499)

25. Although requested by OHCA the Applicants failed to provide the current payer mix and the projected payer mix with the CON proposal for the Total Facility based on Patient Population mix. (July 10, 2009, Completeness Response, pages 497-498)

26. The current and projected payer mix for the Applicants, based on Net Revenue for JR and Gross Revenue for MIC, is as follows:

Table 12: Current & Three-Year Projected Payer Mix for JR

Total Facility Description - JR	Current 2008	Projected Year 1	Projected Year 2	Projected Year 3
Medicare*	26.1%	26.1%	26.1%	26.1%
Medicaid*	4.5%	4.5%	4.5%	4.5%
Champus and TriCare	0%	0%	0%	0%
Total Government	30.6%	30.6%	30.6%	30.6%
Commercial Insurers*	65.5%	65.5%	65.5%	65.5%
Uninsured/Private Pay	1.5%	1.5%	1.5%	1.5%
Workers Compensation	2.4%	2.4%	2.4%	2.4%
Total Non-Government	69.4%	69.4%	69.4%	69.4%
Total Payer Mix	100%	100%	100%	100%

* Includes managed care activity.
(June 17, 2009, Initial CON Application, page 31)

Table 13: Current & Three-Year Projected Payer Mix for MIC

Total Facility Description - JR	Current 2008	Projected Year 1	Projected Year 2	Projected Year 3
Medicare*	27.6%	27.6%	27.6%	27.6%
Medicaid*	0.9%	0.9%	0.9%	0.9%
Champus and TriCare	0%	0%	0%	0%
Total Government	28.5%	28.5%	28.5%	28.5%
Commercial Insurers*	70%	70%	70%	70%
Uninsured/Private Pay	0.5%	0.5%	0.5%	0.5%
Workers Compensation	1%	1%	1%	1%
Total Non-Government	71.5%	71.5%	71.5%	71.5%
Total Payer Mix	100%	100%	100%	100%

* Includes managed care activity.
(June 17, 2009, Initial CON Application, page 35)

27. The Applicants state that the entity that will be billing for the proposed MRI and CT scanners to be acquired by JR will be Jefferson Radiology, P.C. (June 17, 2009, Initial CON Application, page 31)
28. JR's locations average rate for MRI and CT scans based on charges equaled to \$2,500 and \$1,175, respectively. (June 17, 2009, Initial CON Application, page 466)
29. It is found that there is no State Health Plan in existence at this time. (June 17, 2009, Initial CON Application, page 13)
30. The Applicants assert that the proposal is consistent with their long-range plans. (June 17, 2009, Initial CON Application, page 13)
31. The Applicants have improved productivity and contained costs by upgrading to a fully electronic radiology information system, participating in multiple groups purchasing collaborative and shifting work concept of one technologist/one facilitator to improve patient communication and flow. (June 17, 2009, Initial CON Application, page 28)

32. The Applicants contend that their teaching and researching responsibilities will not be affected by the proposal. *(June 17, 2009, Initial CON Application, pages 28-29)*
33. The Applicants asserts that JR possesses characteristics within its patient/physician mix that make their proposal unique. The Applicants contend that JR is the largest private radiology practice in the state of Connecticut, consist of 45 physicians and number of subspecialties, maintains seven private community based offices and also provides radiology services to four area hospitals. *(June 17, 2009, Initial CON Application, page 29)*
34. The Applicants provided resumes of its executive and clinical leadership demonstrating that the Applicants possesses sufficient technical and managerial expertise to provide efficient and adequate services to the public. *(June 17, 2009, Initial CON Application, pages 26-27, 30, and Attachment V-Curriculum Vitae, pages 164-407)*

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.

Jefferson Radiology, P.C. (“JR”) a private physician radiology practice (locations in Avon, Enfield, Farmington, Glastonbury, Hartford, West Hartford, Wethersfield) with contact address at 111 Founders Plaza in East Hartford, in agreement with Medical Imaging Center, P.C. (“MIC”) a private radiology practice (locations in Bloomfield, Granby, Rocky Hill, Simsbury, Wethersfield, and Windsor) with contact address at 6 Northwestern Drive, Suite 102, in Bloomfield (together referred herein as “Applicants”) are proposing to have JR acquire a Magnetic Resonance Imaging (“MRI”) Scanner and a Computed Tomography (“CT”) Scanner located in MIC’s Bloomfield office as part of a Physician merger at a total capital cost of \$1,129,517.

The Applicants’ proposal will result in the closing of four MIC’s locations, with the office in Bloomfield continuing to offer MRI and CT imaging services provided by JR. This consolidation of services appears to maintain access to radiology services at existing JR sites. OHCA recognizes the unique circumstances of the integration of imaging equipment while maintaining access. OHCA concludes that this proposal will meet patient demand for imaging services and, since the MRI Scanner will be upgraded, an improvement to quality of MRI services.

Although the Applicants are projecting an incremental loss in FY2009 primarily due to the acquisition costs, incremental gains are expected by the Applicants during FY2010, FY2011 and FY2012. Therefore, OHCA concludes that the proposal is financially feasible.

Order

Based upon the foregoing Findings and Rationale, the Certificate of Need application of Jefferson Radiology, P.C. and Medical Imaging Center, P.C. to have JR acquire a Magnetic Resonance Imaging ("MRI") Scanner and a Computed Tomography ("CT") Scanner from the MIC's Bloomfield office as part of a Physician merger at a total capital cost of \$1,129,517 is hereby **GRANTED**, subject to the following conditions.

1. The Applicants shall not exceed \$3 million in replacement fair market value or capital expenditure for the proposed equipment. In the event that the Applicants learn of potential cost increases or expect that final project costs will exceed those approved, the Applicants shall notify OHCA in writing.
2. Should the Applicants propose any change in the array of health care services offered or a change in its complement of existing imaging equipment, the Applicants shall file with OHCA appropriate documentation regarding its change, including either a Certificate of Need Determination Request or a Certificate of Need Letter of Intent.

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
Department of Public Health

11-5-09
Date


Cristine A. Vogel
Deputy Commissioner

CAV; cgc; swl