



# STATE OF CONNECTICUT

## DEPARTMENT OF PUBLIC HEALTH

OFFICE OF COMMISSIONER

December 31, 2009

### IN THE MATTER OF:

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

Notice of Final Decision  
Office of Health Care Access  
Docket Number: 09-31379-CON

**Eastern Connecticut Health Network, Inc.**

**Acquisition of a Positron Emission  
Tomography/Computed Tomography  
Scanner and Operation of the Scanner  
at Manchester Memorial Hospital**

To: Dennis McConville  
Senior Vice President, Strategic and Operational Planning  
Eastern Connecticut Health Network  
71 Haynes Street  
Manchester, CT 06040

Dear Mr. McConville:

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 December 31, 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: rac:jah  
Enclosure





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

**Final Decision**

**Applicant:** Eastern Connecticut Health Network, Inc.

**Docket Number:** 09-31379-CON

**Project Title:** Acquisition of Part-Time Mobile, 4-Slice PET-CT Scanner that Replaces a Part-Time Mobile PET Scanner at Manchester Memorial Hospital

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

**Filing Date:** November 2, 2009

**Decision Date:** December 31, 2009

**Default Date:** January 31, 2010

**Staff Assigned:** Ronald A. Ciesones  
Jack A. Huber

**Project Description:** Eastern Connecticut Health Network, Inc. ("ECHN") proposes to acquire a part-time mobile 4-slice positron emission tomography-computed tomography ("PET-CT") scanner that will replace Manchester Memorial Hospital's existing part-time mobile positron emission tomography ("PET") scanner at no associated capital expenditure. The PET-CT scanner will be located at the Manchester Memorial Hospital, 71 Haynes Street, Manchester, CT.

**Nature of Proceedings:** On November 2, 2009, the Office of Health Care Access ("OHCA") received the completed Certificate of Need ("CON") application from Eastern Connecticut Health Network, Inc. ("ECHN") seeking authorization to acquire a part-time mobile, 4-slice positron emission tomography-computed tomography ("PET-CT") scanner that will replace Manchester Memorial's existing part-time mobile positron emission tomography ("PET") scanner, at no associated capital expenditure. The PET-CT scanner will be located at the Manchester Memorial Hospital, 71 Haynes Street, Manchester, CT.

ECHN is a health care facility or institution as defined under Section 19a-630 of the Connecticut General Statutes (“C.G.S.”).

A notice to the public concerning OHCA’s receipt of ECHN’s Letter of Intent to file its CON application was published in *The Journal Inquirer* on June 3, 2009, pursuant to Section 19a-639, C.G.S. OHCA received no responses from the public concerning the Applicant’s Letter of Intent.

Pursuant to Section 19a-639, C.G.S. three individuals or an individual representing an entity with five or more people had until November 23, 2009, the twenty-first calendar day following the filing of the CON application, to request that OHCA hold a public hearing on ECHN’s proposal. OHCA received no hearing requests from the public by November 23, 2009.

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 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 Eastern Connecticut Health Network, Inc. (“ECHN”) is the parent corporation of Manchester Memorial Hospital, located at 71 Haynes Street in Manchester, CT and Rockville General Hospital, located at 31 Union Street in Rockville, CT. (*September 14, 2009, Initial CON Application Submission, page 4*)
2. It is found that in the early 1980’s ECHN partnered with Manchester Memorial Hospital, Hartford Hospital, Rockville General Hospital, Johnson Memorial Hospital and Hartford Hospital to form the Northeast Regional Oncology Network (“NRRON”). In providing cancer patients with access to comprehensive cancer care, NRRON established two community-based centers, one in Enfield and the other in Manchester on the campus of Manchester Memorial Hospital. (*September 14, 2009, Initial CON Application Submission, page 5*)
3. It is found that on August 6, 2001, a Certificate of Need (“CON”) authorization was granted by the Office of Health Care Access (“OHCA”), under Docket Number (“DN”): 01-515 to Manchester Memorial Hospital, Hartford Hospital, Middlesex Hospital, Windham Community Memorial Hospital, UCONN Health Center, and Insight Health Services Corporation to provide mobile positron emission tomography (“PET”) scanning services. (*August 6, 2001, OHCA Final Decision, DN: 01-515*)

4. It is found that since 2001, Manchester Memorial Hospital (“Hospital”) has been offering PET scanning services through Insight as its vendor. *(September 14, 2009, Initial CON Application Submission, page 9)*
5. ECHN contends that the towns served by the Hospital constitute 78% of the Hospital’s discharges for fiscal year (“FY”) 2008 and include the following towns: Manchester, East Hartford, Vernon, South Windsor, Glastonbury, Coventry, and Tolland. *(Office of Health Care Access, Discharge Database, September 2009)*
6. ECHN contends that its patients requiring PET services are currently referred for scanning procedures by medical oncologists and other physicians on staff at ECHN. If an ordering medical oncologist prefers their patient have a PET-CT scan, the patient then travels to a Hartford area hospital for this service. *(September 14, 2009, Initial CON Application, pages 7 & 11)*
7. ECHN was not able to specifically quantify the number of patients referred to Hartford area hospitals for PET-CT scanning as this level of information is not captured in the Hospital’s patient information data system. *(November 2, 2009, Completeness Letter Responses, page 187)*
8. ECHN provides the following list of its oncologists that have referred patients to the Hospital for PET scanning in FY 2009:

**Table 1: ECHN Oncologists**

<b>Physician Name</b>	<b>Practice Name and Office Addresses</b>
<b>Active:</b> Lynn Davis, MD Stephen Grund, MD Charanjeev Kapoor, MD Michael Reale, MD Joel Silver, MD	<b>Davis, Posteraro, and Wasser MD’s LLP</b>  73A Haynes Street Manchester, CT 06040  935 Main Street Manchester, CT 06040
<b>Retired during FY 2009:</b> Jeffrey Wasser, MD Anthony Posteraro, MD	400-1 Talcottville Road Vernon, CT 06066  43 Woodland Street Hartford, CT 06105
<b>Active:</b> Dennis Morgan, MD	142 Hazard Avenue Enfield, CT 06082

*(November 2, 2009, Completeness Letter Responses, pages 187 and 188)*

9. ECHN contends that it will continue to serve the same percentage of patients from its service area towns for the proposed PET-CT service as it currently serves with its PET service. *(November 2, 2009, Completeness Letter Responses, page 186)*

10. ECHN contends that the patient population expected to be served by the proposed PET-CT service are those patients diagnosed with lymphoma, lung, breast, and colon cancers. *(September 14, 2009, Initial CON Application Submission, page 7)*
11. ECHN contends that there are no providers of PET-CT services in the area served by the Hospital and that no existing provider of PET-CT services will be negatively affected by the proposal. *(September 14, 2009, Initial CON Application, page 11 and November 2, 2009, Completeness Letter Responses, page 186)*
12. ECHN contends that the proposed PET-CT scanner will provide the following benefits:
  - A PET-CT scanner will produce more specific and higher quality images than a PET scanner; resulting in improved diagnostic capability and better monitoring of a patient's progress in the treatment of their cancer; and
  - Patients may experience less discomfort since the average PET-CT scan time (45 minutes) produces image results in less time than a PET scanner (60 minutes). *(September 14, 2009, Initial CON Application, pages 5 & 6)*
13. The Hospital contends that the proposed PET-CT scanner will have the capability to perform the following procedures:
  - Myocardial Image, Metabolic Evaluations;
  - Myocardial Imaging, Perfusion at rest or stress, Single Studies;
  - Myocardial Imaging, Perfusion at rest or stress, Multiple Studies;
  - Brain Image with Metabolic Evaluations;
  - Brain Image with Perfusion Evaluations;
  - Limited area attenuation corrections and anatomical localizations;
  - Skull base to mid-thigh attenuation corrections and anatomical localizations;
  - Whole body attenuation corrections and anatomical localizations;
  - Provision of diagnostic radiopharmaceuticals; and
  - Rubidium rb-82 diagnosis. *(September 14, 2009, Initial CON Application, page 17 and Appendix 12, page 141)*
14. The Hospital contends that the most commonly performed PET-CT scans will be limited area, skull base to mid-thigh and whole body attenuation corrections and anatomical localizations. *(Initial CON Application, page 17 and Appendix 12, page 141)*
15. The PET-CT service schedule will remain unchanged from the PET service schedule: each Monday and Wednesday from 8:00 am to 5:00 pm at the Hospital. ECHN will continue to work with its vendor to determine the future operating schedule based on the joint operating needs of the two entities and the demand for the PET-CT service. *(September 14, 2009, Initial CON Application Submission, pages 6 & 9)*
16. OHCA finds that the proposal will improve imaging quality for oncology patients and will improve availability to PET/CT scanning services to Hospital patients.

17. ECHN reports that the Hospital's actual mobile PET scanning volumes for FYs 2006 through 2009 are as follows:

**Table 2: Actual PET Scan Volumes**

Description	FY 2006	FY 2007	FY 2008	FY 2009
PET-CT Scans	463	467	440	471*

Note: \*FY 2009 volume is annualized by the Hospital based on 432 scans being performed between October 1, 2008 – August 31, 2009.  
(September 14, 2009, Initial CON Application Submission, page 12)

18. ECHN contends that there was a decrease in PET scan volume in FY 2008 from FY 2007 due to the increasing preference of PET-CT by ECHN medical oncologists.
19. ECHN provides the following volume projections for the Hospital's proposed part-time mobile, 4-slice PET-CT scanner for FYs 2010 through 2012:

**Table 3: Projected PET-CT Scan Volumes**

Description	FY 2010	FY 2011	FY 2012
PET-CT Scans	486	501	517
Growth between FYs	3.2%	3.1%	3.2%

(September 14, 2009, Initial CON Application Submission, page 12)

20. ECHN projects an annual growth rate of approximately 3% for the mobile PET-CT service from FYs 2009 through 2012. ECHN contends that the annual increases will be consistent with the growth of PET-CT services across Connecticut. (September 14, 2009, Initial CON Application Submission, page 7)
21. In support of the 3% annual growth of mobile PET-CT services ECHN utilized the Connecticut Hospital Association's Patient Census Report increase in PET-CT services between 14,059 actual procedures in FYs 2008 to 14,497 10-month annualized number of procedures in FY 2009, where the difference of 438 procedures between FYs divided by 14,059 procedures in FY 2008 equals a difference of 3.12% between fiscal years.  
(September 14, 2009, Initial CON Application Submission, page 7 and November 2, 2009, Completeness Letter Responses, page 183 and Attachment 1, pages 194 and 195)
22. OHCA finds that ECHN's volume projections for the proposed PET/CT service, which are based on the recent growth of this service across all Connecticut hospitals, appears to be reasonable.

**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**

23. ECHN contends that there is no associated capital expenditure with this proposal as the service will be provided through a purchase service agreement with Alliance Imaging.  
(September 14, 2009, Initial CON Application, page 19)

24. ECHN supplied a copy of the Master Services Agreement it has with Alliance Imaging. The agreement stipulates the following:

- The proposed PET-CT scanner will have 5 procedures per service day as a benchmark for maintaining the number of days of service scheduled; and
- The fee schedule is as follows: \$1,055 per scan for procedures 1 through 5, \$905 per scan for procedures 6 and 7, and \$730 per scan for procedures 8 and thereafter. *(September 14, 2009, Initial CON Application Submission, page 9 and Appendix 18F, Master Services Contract, pages 144 through 150)*

25. ECHN projects Hospital incremental total revenue, total operating expense and net income with the implementation of the proposal as presented in the following table:

**Table 4: Incremental Hospital Gain/(Loss) with the PET-CT Service**

	FY 2010	FY 2011	FY 2012
Revenue from Operations	\$54,036	\$103,927	\$152,964
Operating Expenses	\$116,467	\$152,258	\$187,556
<b>Loss from Operations</b>	<b>(\$62,431)</b>	<b>(\$48,331)</b>	<b>(\$34,593)</b>

*(September 1, 2009, Initial CON submission, page 152)*

26. ECHN contends that the incremental Hospital losses relating to the PET-CT service are attributable to an increase in fees from the service transitioning from PET to PET-CT with no corresponding increase in reimbursement for the service change. *(September 1, 2009, Initial CON submission, page 23)*

27. ECHN contends that the average reimbursement rate for PET-CT services is \$1,349 per scan. *(November 2, 2009, CON Completeness Responses, page 193)*

28. ECHN's projects overall gains from operations to the Hospital once the proposal is fully implemented of \$7.9 million, \$8.2 million and \$8.5 million for FYs 2010 through 2012, respectively. *(September 1, 2009, Initial CON submission, page 21 and, Appendix 21, Financial, Attachment I, page 152)*

29. ECHN supplied the following patient mix percentages for the mobile PET service and the projected percentages for the first three years of the proposed mobile PET-CT service:

**Table 5: Current and Projected Patient Mix**

Description	Current	Year 1	Year 2	Year 3
Medicare	59.2%	59.2%	59.2%	59.2%
Medicaid	3.3	3.3	3.3	3.3
Other	1.2	1.2	1.2	1.2
<b>Total Government</b>	<b>63.7</b>	<b>63.7</b>	<b>63.7</b>	<b>63.7</b>
Commercial Insurers	36.0	36.0	36.0	36.0
Uninsured	0.0	0.0	0.0	0.0
Workers Compensation	.3	.3	.3	.3
<b>Total Non-Government</b>	<b>36.3</b>	<b>36.3</b>	<b>36.3</b>	<b>36.3</b>
<b>Total Population Mix</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

*(September 14, 2009, Initial CON Application, page 20)*

30. ECHN contends that the patient population mix will remain the same from the existing PET to the proposed PET-CT service as no change is anticipated in the mix of patients receiving cancer care at the Hospital. *(September 14, 2009, Initial CON Application, page 21)*
31. OHCA finds that the Hospital's projected volume and financial projections appear to be reasonable and will allow the proposed CON project to be financially feasible.
32. ECHN contends that the Hospital engages in activities to improve productivity and contain costs. *(September 14, 2009, Initial CON Application, page 24)*
33. ECHN contends that the proposal will not result in any changes to the Hospital's teaching and research responsibilities. *(September 14, 2009, Initial CON Application, page 24)*
34. ECHN contends that the proposal will not result in any change to the Hospital's patient/physician mix. *(September 14, 2009, Initial CON Application, 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.

In 2001 Eastern Connecticut Health Network ("ECHN") in partnership with the other entities that comprised the Northeast Regional Oncology Network ("NRRON") began providing part-time mobile positron emission tomography ("PET") scanning services in Enfield and in Manchester on the campus of the Manchester Memorial Hospital ("Hospital"). ECHN is proposing to acquire a part-time mobile, 4-slice positron emission tomography-computed tomography ("PET-CT") scanner and to operate the new scanner two days per week on the Hospital's campus located at 71 Haynes Street in Manchester. The proposed part-time mobile, 4-slice PET-CT scanner will replace the Hospital's existing part-time mobile PET scanner.

ECHN asserts that the need for the part-time mobile PET/CT service is based on the benefits that will be derived by oncology patients requiring image examinations that combine PET and CT technology. The transition from PET to PET-CT imaging will allow Hospital oncologists to produce more specific and higher quality images, resulting in improved diagnostic capabilities and improved monitoring of a patient's progress throughout the patient's cancer treatment regime. In 2008, the most recently completed fiscal year ("FY"), the Hospital performed 440 PET scans. ECHN estimates a projected-actual 471 PET scans for FY 2009 based on eleven months of actual FY 2009 PET utilization. While ECHN was not able to quantify the number of patients its medical oncologists have referred to Hartford area hospitals for PET-CT scanning services, OHCA acknowledges that the proposal will allow Hospital patients to receive their PET-CT



scanning closer to home. OHCA finds that the proposed part-time mobile service will allow for greater PET/CT service accessibility than the current on-campus mobile PET arrangement.

There is no associated capital expenditure with this proposal. The Hospital will offer the part-time mobile PET-CT scanning service on a contractual fee arrangement with the equipment vendor, Alliance Imaging. The fee schedule varies based upon the number of scans performed and will not be more than \$1,055 per scan. While ECHN expects the Hospital to incur incremental operating losses for the first three fiscal years of operating the PET-CT service (i.e. FYs 2010 through 2012), overall Hospital operating gains of \$7.9 million, \$8.2 million, and \$8.5 million are projected for the FYs 2010 through 2012, respectively. The Hospital's volume and financial projections upon which they are based appear to be reasonable. Therefore, OHCA finds that the CON proposal is financially feasible and will improve availability to quality PET/CT scanning services to Hospital patients.

## Order

Based on the foregoing Findings of Fact and Rationale, the Certificate of Need application of Eastern Connecticut Health Network ("ECHN") to acquire a part-time mobile, 4-slice Positron Emission Tomography-Computed Tomography ("PET-CT") scanner for use at Manchester Memorial Hospital ("Hospital"), at no associated capital expenditure, is hereby GRANTED, subject to the following conditions:

1. This authorization shall expire on December 21, 2010. Should operation of the mobile PET- CT scanning service not be completed by that date, ECHN must seek further approval from OHCA to complete the project beyond that date.
2. ECHN shall terminate the contract for the mobile PET scanner after the mobile, 4-slice PET/CT scanner has commenced operation. Furthermore, the Hospital shall provide notify OHCA regarding the termination of the contract for the mobile PET scanner by no later than two months after the new mobile 4-slice PET/CT scanner has commenced operation.
3. With respect to the acquisition of the part-time mobile, 4-slice PET-CT scanner, ECHN shall notify OHCA regarding the following information in writing prior to the expiration date noted in Condition Number 1 above:
  - a) The name of the part-time mobile, 4-slice PET-CT scanner manufacturer;
  - b) The model name and description of the part-time mobile, 4-slice PET-CT scanner; and
  - c) The initial date of the operation of the part-time mobile, 4-slice PET-CT scanner.
4. Should ECHN propose any change in the array of health care services offered at the Hospital or a change in the Hospital's complement of existing major medical or imaging equipment, ECHN 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.

Should ECHN 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 Division of  
Office of Health Care Access,  
Department of Public Health

Date

12-31-09

  
Cristine A. Vogel  
Deputy Commissioner

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