

STATE OF CONNECTICUT
DEPARTMENT OF PUBLIC HEALTH
Office of Health Care Access

December 16, 2011

IN THE MATTER OF:

An Application for a Certificate of Need filed
Pursuant to Section 19a-638, C.G.S. by:

Notice of Final Decision
Office of Health Care Access
Docket Number: 11-31722-CON

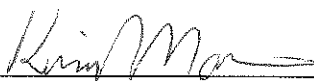
Bridgeport Hospital

**Acquisition and Operation of a Hospital-Based
MRI Scanner in Bridgeport, Connecticut**

To: Carolyn Salsgiver
Senior Vice President, Planning & Marketing
Bridgeport Hospital
267 Grant Street
Bridgeport, CT 06610

Dear Ms. Salsgiver:

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-638, C.G.S. On December 16, 2011, 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.

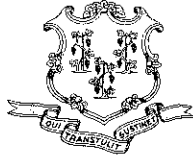


Kimberly R. Martone
Director of Operations

Enclosure
KRM:jah

STATE OF CONNECTICUT

DEPARTMENT OF PUBLIC HEALTH



Jewel Mullen, M.D., M.P.H., M.P.A.
Commissioner

Dannel Malloy
Governor

Final Decision

Applicant: Bridgeport Hospital

Docket Number: 11-31722-CON

Project Title: Acquisition and Operation of a Hospital-Based MRI Scanner in Bridgeport, CT

Project Description: Bridgeport Hospital ("Hospital") proposes to acquire and operate a hospital-based magnetic resonance imaging ("MRI") scanner located on the Hospital's campus, 267 Grant Street in Bridgeport, Connecticut.

Procedural History: On September 2, 2011, the Office of Health Care Access ("OHCA") received a Certificate of Need ("CON") application from the Hospital for the above-referenced project. The Hospital published notice of its intent to file the CON application in *The Connecticut Post*, on March 21, 22, and 23, 2011. OHCA received no responses from the public concerning the Hospital's proposal and no hearing requests were received from the public per General Statutes § 19a-639a (e).

Findings of Fact

1. The Hospital is an acute care, not-for-profit hospital whose main campus is located at 267 Grant Street in Bridgeport, Connecticut. Ex. A, p. 75.
2. Advanced Radiology Consultants, LLC ("ARC") is a private radiology practice that provides professional imaging services to the Hospital. Ex. A, p. 7.
3. The Hospital does not currently own an MRI scanner. Since 1988 the Hospital has maintained a services agreement and a leased space arrangement with ARC for the provision of magnetic resonance imaging services for Hospital patients at its main campus. Ex. A, pp. 7 and 11.
4. ARC operates several outpatient imaging centers, including the Hospital's MRI center. Ex. A, p. 7.



5. When the MRI services agreement and leased space arrangement between the Hospital and ARC expired, the Hospital began an assessment of its MRI service needs. The Hospital has since continued its relationship with ARC on a month-to-month basis and has recently concluded its MRI service assessment. Ex. A, p. 7.
6. Based upon its assessment, the Hospital proposes to acquire and operate on its main campus, a hospital-based 1.5 tesla-strength MRI scanner in order to maintain its comprehensive diagnostic imaging service and gain hospital revenues from the technical fee portion of the MRI service. Ex. A, pp. 7 & 8.
7. When the new MRI scanner is installed it will be leased by a newly formed joint venture between the Hospital and ARC, which will be a limited liability company to be known as Newco. Ex. A, p. 8.
8. The Hospital and ARC will own equity portions in Newco of 60% and 40%, respectively. Ex. A, p. 8.
9. The joint venture is a collaborative approach by the Hospital and ARC to permit the Hospital to have an ownership interest in an MRI unit, which results in a successful business plan that includes a mix of inpatients, ED patients and outpatients. Ex. A, p. 10.
10. The joint venture will provide the Hospital with more oversight of, and input into, the clinical operations of the MRI service at the Hospital that is currently controlled by ARC. Ex. A, pp. 9 & 10.
11. The Hospital will enter into an agreement pursuant to which it purchases from Newco the technical component of MRI services needed for its inpatients and outpatients. Ex. A, p. 8.
12. The Hospital will bill for the technical component, while ARC's radiologists will bill for the professional component. Ex. A, p. 8.
13. As the proposal will allow the Hospital to receive a portion of the technical revenue from outpatient MRIs, the joint venture will provide the Hospital with access to revenue streams from the MRI technical fee reimbursement, which it presently does not receive. Ex. A, p. 10.
14. This additional revenue is important to the Hospital in the context of reduced reimbursement from payers, ongoing cost controls and uncertainty related to the impact of national health care reform on Hospital revenues. Ex. A, p. 10.
15. ARC will retain professional oversight of the MRI service as its radiologists will continue to read and interpret MRI scans performed at the Hospital. Ex. A, p. 10.

16. ARC has a long relationship with the Hospital and area physicians and has been the operator of the MRI scanner currently on campus. Therefore, ARC has the trusted clinical and operational experience to provide optimized and seamless MRI service. Ex. A, p. 10.
17. Additionally, ARC has the trust of and relationship with the physicians who are the target referrers for the proposed service. Ex. A. p. 10.
18. Inpatients and ED patients are referred for MRI scans by Bridgeport Hospital attending physicians and the Hospital does not receive separate reimbursement for these patients' MRI scans. Ex. A, p. 10.
19. Outpatient MRI cases at Bridgeport Hospital are generally referred directly to ARC by patients' physicians. Ex. A, p. 10.
20. The Hospital indicates that it is not financially viable for it to operate an MRI scanner just for inpatient and emergency department patients, which represent a relatively low proportion of total MRI scans. Outpatient volume is also required to ensure the fiscal viability of the service. Ex. A, p. 10.
21. The population to be served consists of existing Hospital patients residing predominantly in its primary service area ("PSA") towns: Bridgeport, Easton, Fairfield, Milford, Monroe, Shelton, Stratford and Trumbull. Ex. A. pp. 11 & 12.
22. Currently, 88% of the Hospital's MRI volume is generated from patients residing in its PSA towns. Ex. A. p. 15.
23. The following table illustrates the service's actual MRI scan volume from fiscal years ("FYs") 2008 through 2011.

Table 1: Actual MRI Scan Volume

Description	FY2008	FY2009	FY2010	FY2011
Inpatient	1,100	914	869	1,121
Emergency Department	449	374	355	284
Outpatient	4,023	3,640	3,457	3,425
Total	5,572	4,928	4,681	4,830

Ex. A. p. 14.

24. The decline in Hospital service MRI scans from FYs 2008 through 2010 is a result of the following factors:
 - a. Hospital efforts to ensure appropriate utilization of imaging, since hospitals are generally reimbursed on a case-rate, according to the patient's diagnosis, or on a per-diem rate, rather than for each procedure performed in the hospital; and

- b. A decline in Hospital discharges during that time period, resulting from the troubled economy and the lack of, or reduction in, health insurance coverage in the population.

Ex. A, p. 16

25. Inpatient MRI volume is projected to increase in FY 2012 due to anticipated increases in the Hospital's inpatient surgical caseload. Patients receiving orthopedic surgery and neurosurgical procedures utilize MRI scans at a greater rate than do other inpatients. Projected outpatient MRI volume includes pediatric patients who will become Yale-New Haven Hospital patients, if the pending CON application before OHCA in Docket Number: 11-31714 is approved by OHCA. Ex. A, p. 16.

26. The following table illustrates the projections for FYs 2012 through 2015:

Table 2: Projected MRI Scan Volumes

Description	FY2012	FY2013	FY2014	FY2015
Inpatient	884	889	894	898
Emergency Department	360	363	365	367
Outpatient	3,200	3,277	3,360	3,444
Total	4,444	4,529	4,619	4,709

Ex. A, p. 14

27. The Hospital is projecting an overall average annual growth rate of approximately 2.0% for FYs 2013 through 2015, the first three full operating years of proposal. Ex. A, p. 14.
28. The proposed patient population is currently being served by the existing MRI scanner and will continue to be served in the same manner when a new Hospital-based MRI is acquired. Ex. A, pp. 12 & 13.
29. The existing referral patterns are not expected to be affected by the Hospital's proposal. Ex. A, p. 16.
30. The proposal contributes to the quality of health care delivery in the region by ensuring that patients at Bridgeport Hospital maintain access to MRI imaging services to diagnose and monitor certain clinical conditions. Ex. A, p. 17.
31. The proposed MRI will operate in accordance with the American College of Radiology Practice Guidelines for Performing and Interpreting Magnetic Resonance Imaging. Ex. A, p. 17.
32. The proposal's total capital cost is \$2,533,298, which includes the equipment lease of \$1,643,844 and \$700,000 in renovations. Ex. A, p. 19.
33. Renovation work is scheduled to begin January 1, 2012 with a planned completion date of March 31, 2012. Operation of the new MRI scanner is scheduled to begin on April 1, 2012. Ex. A, pp. 19 & 20.

34. The proposed MRI scanner will be financed through a capital lease. The term of the proposed lease is five years (i.e. 60 months) at 4.75% interest, for a monthly average payment of approximately \$30,844 per month. Ex. A, p. 20.
35. The Hospital projects the following incremental revenues and expenses with the proposed project:

Table 3: Projected Incremental Revenues and Expenses (All Dollars are in Thousands)

	FY 2012*	FY 2013	FY 2014	FY 2015
Revenues from Operations	\$1,407	\$2,951	\$3,097	\$3,249
Total Operation Expense	\$1,081	\$2,060	\$2,121	\$2,185
Incremental Gain from Operations	\$326	\$891	\$976	\$1,064

Note: * FY 2012 Hospital-owned MRI scanner will operate a partial FY. Ex. A, p. 107.

36. The Hospital projects the following overall revenues and expenditures with the proposed project:

Table 4: Projected Overall Revenues and Expenses (All Dollars are in Thousands)

	FY 2012*	FY 2013	FY 2014	FY 2015
Revenues from Operations	\$422,215	\$438,461	\$452,764	\$452,916
Total Operation Expense	\$409,132	\$424,572	\$436,374	\$436,374
Overall Gain from Operations	\$13,083	\$13,889	\$16,390	\$16,542

Note: * FY 2012 Hospital-owned MRI scanner will operate a partial FY. Ex. A, p. 107.

37. The Hospital reported \$15,801,000 in operating income and \$62,529,000 in unrestricted net assets or equity for FY 2010. OHCA, FY 2010, 12-Month Actual Filing.
38. The Hospital indicates that the proposal is cost effective as the joint venture with ARC allows the Hospital to jointly capitalize the cost of the MRI lease. Without the joint venture, it would not be financially viable for the Hospital to acquire an MRI to serve its inpatients and Emergency Department patients. The inclusion of outpatients in the business plan also is an essential component in the project's financial viability. Ex. A, p. 22.
39. OHCA finds that the proposal is cost effective and that it will affect the financial strength of the state's health care system in a favorable manner by providing the Hospital with a financially viable approach, through a joint venture with ARC, to fund and operate a new MRI scanner. Additionally, it will provide the Hospital with access to MRI technical fee reimbursement to help support its mission.

Discussion

CON applications are decided on a case by case basis and do not lend themselves to general applicability due to the uniqueness of the facts in each case. In rendering its decision, OHCA considers the factors set forth in General Statutes § 19a-639(a) and the Applicant bears the burden of proof in this matter by a preponderance of the evidence. *Goldstar Medical Services, Inc., et al. v. Department of Social Services*, 288 Conn. 790 (2008); *Swiller v. Commissioner of*

Public Health, No. CV 95-0705601 (Sup. Court, J.D. Hartford/New Britain at Hartford, October 10, 1995); *Bridgeport Ambulance Serv. v. Connecticut Dept. of Health Serv.*, No. CV 88-0349673-S (Sup. Court, J.D. Hartford/New Britain at Hartford, July 6, 1989); *Steadman v. SEC*, 450 U.S. 91, 101 S.Ct. 999, *reh'g den.*, 451 U.S. 933 (1981); *Bender v. Clark*, 744 F.2d 1424 (10th Cir. 1984); *Sea Island Broadcasting Corp. v. FCC*, 627 F.2d 240, 243 (D.C. Cir. 1980).

The Hospital proposes to acquire and operate a hospital-based, 1.5 tesla-strength magnetic resonance imaging scanner at its main campus in Bridgeport. FF6. ARC, a private radiology practice, has and continues to provide professional imaging services to the Hospital. FF2-5. As the Hospital does not own its own MRI scanner, the Hospital has since 1988 maintained a services agreement and lease space arrangement with ARC for the provision of MRI services to Hospital patients at the main campus. FF3. The Hospital proposes to acquire its own MRI scanner in order to maintain its comprehensive diagnostic imaging service and gain Hospital revenues from the technical fee portion of the MRI service. FF6.

The proposed MRI scanner will be leased by a newly formed joint venture between the Hospital and ARC, which will be a limited liability company to be known as Newco. FF7. The Hospital and ARC will own equity portions in Newco of 60% and 40%, respectively. FF8. The joint venture will provide the Hospital with more oversight of, and input into, the clinical operations of its MRI service. FF10. The Hospital will enter into an agreement pursuant to which it purchases from Newco the technical component of MRI services needed for its inpatients and outpatients. FF11. The Hospital will bill for the technical component, while ARC's radiologists will bill for the professional component. FF12. Thus, the joint venture will provide the Hospital with access to revenue streams from the MRI technical fee reimbursement, which it presently does not receive. FF13. This additional revenue is important to the Hospital in the context of reduced reimbursement from payers, ongoing cost controls and uncertainty related to the impact of national health care reform on Hospital revenues. FF14.

ARC will retain the professional oversight of the MRI service as its radiologists will continue to read and interpret MRI scans performed at the Hospital. FF15. ARC has trusted clinical and operational experience to provide the MRI service as it has a long relationship with the Hospital and area physicians, who are target referrers for the proposed service. FF16-17. Outpatient MRI cases at the Hospital are generally referred directly to ARC by patients' physicians. FF19. It is not financially feasible for the Hospital to acquire an MRI scanner without outpatient volume as the ED and inpatient MRI volume represents a low proportion of the total MRI volume. FF 20. Therefore, it is essential that the Hospital maintain its relationship with ARC through this joint venture not only because they are the radiologists reading and interpreting scans for the Hospital but also because they are trusted by area physicians who refer their patients to ARC for MRI scans.

Currently, 88% of the MRI service volume is generated from patients residing in the Hospital's eight town primary service area. FF22. During FYs 2008 through 2011 the service experienced an average of approximately 5,000 MRI scans per year. FF23. The Hospital projects that service's overall MRI annual utilization to grow at a rate of approximately 2.0% per year between FYs 2013 through 2015, the first three full operating years of the proposal.

FF27. Based upon the utilization statistics and the continued professional oversight of the MRI by ARC, OHCA concludes that the Hospital's projections are reasonable and achievable.

The total capital cost associated with the proposal is \$2,533,298. FF32. There will be incremental gains from operations associated with the proposal for FYs 2013 through 2015. FF35. The Hospital, which experienced income from operations of over \$62 million in FY 2010, possesses sufficient unrestricted net assets or equity to cover the proposal's capital costs. FF 37. The proposal is cost effective in that the joint venture between the Hospital and ARC will allow the Hospital to jointly capitalize the MRI lease. FF38. Additionally, as previously noted, the Hospital will gain additional revenue since it will be able to bill for the technical component of the MRI service thereby enhancing its ability to further its mission. FF13-14, 39.

Based upon all of the foregoing, OHCA concludes that the Hospital has demonstrated a need for the acquisition of its own MRI scanner. Moreover, OHCA finds that the Hospital demonstrated that the proposal will have a positive impact on the financial strength of the Hospital and the health care system.

Order


Based upon the foregoing Findings and Discussion, the Certificate of Need application of Bridgeport Hospital for the acquisition and operation of a hospital-based, 1.5 tesla-strength magnetic resonance imaging scanner to be located on the Hospital's main campus located at 267 Grant Street in Bridgeport is hereby **approved**.

All of the foregoing constitutes the final order of the Office of Health Care Access in this matter.

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

Date

12/16/11


Lisa A. Davis, MBA, BSN, RN
Deputy Commissioner, OHCA