

STATE OF CONNECTICUT

DEPARTMENT OF PUBLIC HEALTH

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Commissioner



Dannel P. Malloy
Governor
Nancy Wyman
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Department of Public Health Office of Health Care Access Certificate of Need Application

Final Decision

Applicants: Saint Raphael Magnetic Resonance Imaging
Saint Raphael Healthcare System, and
Yale-New Haven Hospital

Docket Number: 12-31759-CON

Project Title: Yale-New Haven Hospital to Acquire 50% Ownership
Interest in Saint Raphael Magnetic Resonance Center

Project Description: Saint Raphael Magnetic Resonance Imaging ("SRMRC"), Saint Raphael Healthcare System ("SRHS") and Yale-New Haven Hospital ("YNHH") (herein referred to as "Applicants") are proposing that YNHH acquire DePaul Health Service Corporation's ("DePaul") 50% ownership interest in SRMRC.

Procedural History: On May 14, 2012, the Office of Health Care Access ("OHCA") received a Certificate of Need ("CON") application from the Applicants for the above-referenced proposal. Applicants published notice of their intent to file the CON Application in the *New Haven Register*, on April 4, 5 and 6, 2012. OHCA received no responses from the public concerning the Applicant's proposal and no hearing requests were received from the public pursuant to General Statutes § 19a-639a (e).



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Findings of Fact

1. YNHH is an acute care general hospital located at 20 York Street in New Haven, Connecticut. Ex. A, p. 18.
2. SRHS is a Connecticut non-stock 501(c)(3) corporation located at 1450 Chapel Street in New Haven, Connecticut and is the parent company of the Hospital of Saint Raphael ("HSR"). Ex. A, pp17-20.
3. DePaul is a wholly-owned subsidiary of SRHS. Ex. A, p. 19.
4. SRMRC is a joint venture that is owned equally by DePaul and Medical Imaging Associates, a subsidiary of New Haven Radiology Associates, P.C. Ex. A, p. 19.
5. As part of YNHH's proposed acquisition of certain assets of the SRHS, including HSR,¹ Applicants are proposing that YNHH assume DePaul's 50% ownership interest in SRMRC. Ex. A, p. 19.
6. SRMRC operates two MRI scanners approved through the following CON applications: DN: 87-1001, 98-1001, 99-1000, 02-562, 05-22933MDF. The MRI scanners are located on the HSR campus in the lower level of the Orchard Medical Building at 330 Orchard Street, Suite 10B, New Haven, CT. Ex. A, p. 19.
7. The Siemens 3 Tesla Trio and a Siemens 1.5 Tesla Symphony, currently operating at SRMC and provide MRI services to HSR's inpatients, outpatients and a small number of HSR emergency department patients. Both scanners are accredited by the American College of Radiology. Ex. A, pp. 19,25.
8. This proposal is not anticipated to have any effect on existing providers in the service area as the proposal represents only a change of one of two partners in an existing MRI service, which has an established patient base. Ex. A, p. 22.

¹ This acquisition of SRHS assets by YNHH is more fully described in a separate CON Application under OHCA Docket No. 12-31747-CON.

9. Applicants provided the following table demonstrating historical, current and projected volume for inpatients and outpatients:

SRMC's Historical, Current, and Projected Volume, by Patient Type

	Historical Volume (Last 3 Completed FYs)			CFY* Volume	Projected Volume (First 3 Full Operational FYs)		
	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
MRI Scans (1)							
Inpatient	2,112	2,133	2,114	2,124	2,354	2,473	2,623
Outpatient	7,853	7,257	7,008	7,089	7,160	7,303	7,522
Total	9,965	9,390	9,122	9,213	9,514	9,776	10,145

(1) Scan volume is not tracked by scanner. Volumes include both scanners.

*FY 2012 volume annualized based on first quarter actual.

Ex. A, p. 22.

10. Applicants provided the following table demonstrating historical, current and projected volume by type of scan:

Historical, Current, and Projected Volume, by Type of Scan/Exam

	Historical Volume (Last 3 Completed FYs)			CFY Volume	Projected Volume (First 3 Full Operational FYs)		
	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Service type							
Body	2,747	2,583	2,489	2,487	2,569	2,640	2,739
Neuro	7,218	6,807	6,633	6,725	6,945	7,137	7,406
Total	9,965	9,390	9,122	9,212	9,514	9,776	10,145

Ex. A, p. 22.

11. Applicants' historical volumes between FY 2009 and FY 2011 have declined slightly and are attributed to challenges faced by HSR as more fully described in CON Application, Docket No. 12-31747-CON. Furthermore, a breast radiologist and a full time marketing staff person have recently been added and their participation is expected to increase outpatient volumes. Ex. A, p. 24.

12. Applicants' projected volumes were developed based on the following assumptions:

- a. Outpatient scan volume is projected to increase slightly due to the addition of a marketing staff role and a breast radiologist. Projected increases are listed below:
 - i. FY 2012 – Annualized first quarter actual
 - ii. FY 2013 – 1% growth
 - iii. FY 2014 – 2% growth
 - iv. FY 2015 – 3% growth

- b. Inpatient scan volume is projected to increase in proportion to an expected increase in average daily census (“ADC”) at the HSR campus following acquisition by YNHH. Projected FY 2012 inpatient scan volume is based on the first quarter actual volume annualized. The ADC is projected to increase by 40 in FY 2013, 60 in FY 2014 and 85 in FY 2015. The ratio of inpatient MRI to ADC was determined for FY 2011 and applied to the projected increase in ADC for 2013 through 2015 to project incremental inpatient MRI scans.

Ex. A, pp. 24-25.

- 13. SRMRC has an existing referring physician base representing the majority of medical specialties and existing referral patterns are expected to continue following any acquisition by YNHH of DePaul's ownership interest in SRMRC. Ex. A, p. 24.

- 14. The financing for this proposal is part of the overall financing plan for the acquisition of SRHS and HSR. Ex. A, p. 27.

- 15. This proposal will preserve access to critically needed MRI services in the greater New Haven community and will strengthen the financial health of SRMRC, which in turn strengthens the financial health of the State's health care system. Ex. A, p. 27.

- 16. The Applicants project incremental revenues and expenses with the proposed project:

Table 3: Projected Incremental Revenues and Expenses

	FY 2013	FY 2014	FY 2015
Revenues from Operations	\$187,200	\$93,600	\$117,000
Total Operation Expense	\$63,437	\$30,344	\$39,100
Incremental Gain from Operations	\$123,763	\$63,256	\$77,900

Ex. A, p. 90.

17. The following table illustrates the current and projected patient population mix for the MRI services and indicates no changes in payer mix are projected.

Patient Population Mix

	Current FY 2012	Year 1 FY 2013	Year 2 FY 2014	Year 3 FY 2015
Medicare*	26%	26%	26%	26%
Medicaid*	9%	9%	9%	9%
CHAMPUS & TriCare	1%	1%	1%	1%
Total Government	36%	36%	36%	36%
Commercial Insurers*	58%	58%	58%	58%
Uninsured	1%	1%	1%	1%
Workers Compensation	5%	5%	5%	5%
Total Non-Government	64%	64%	64%	64%
Total Payer Mix	100%	100%	100%	100%

* Includes managed care activity.

Ex. A, p. 27.

18. SRMRC plans to renew its professional services contract with Medical Imaging Associates, PC (“MIA”) for a period of one year after the closing but no assurances have been given to MIA that SRMRC will renew the contract after the expiration of the one year period. MIA provides radiology services to the patients of SRMRC through a contract with New Haven Radiology Associates P.C., an affiliate of MIA. Ex. A, p. 30.

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 Applicants bear 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); *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).

As part of YNHH's proposed acquisition of certain assets of SRHS (see Docket No. 12-31747-CON), Applicants are proposing that YNHH assume DePaul's 50% ownership interest in SRMRC. FF 5. SRMRC currently operates two MRI scanners on the HSR campus which serve HSR's inpatients, outpatients and a small number of emergency department patients. FF 6,7.

The scanners have performed over 9,000 scans per year in each of FYs 2009, 2010 and 2011 and are on track to perform over 9,000 scans in FY 2012. FF 9. While there has been a slight decline in historical volume between FY 2009 and FY 2011, this is assumed to be related to the challenges faced by HSR as more fully described in Docket No. 12-31747-CON. FF 9-11.

Projected total volumes for the two machines combined are 9,514, 9,776 and 10,145 for each of FYs 2013, 2014 and 2015, respectively. FF 9. Applicants' outpatient projections were based on projected growth of 1%, 2% and 3% in each of FYs 2013, 2014 and 2015, respectively, stemming from the hiring of a breast radiologist as well as a marketing staff person. FF 12. Applicants' inpatient volume is projected to increase in proportion to an expected increase in average daily census on the HSR campus following any acquisition of HSR by YNHH. FF 12. OHCA finds these volume projections and assumptions to be reasonable.

As is evidenced by the scanners' historical volumes, SRMRC has an existing referral base, and existing referral patterns are expected to continue following YNHH's assumption of DePaul's ownership interest in SRMRC. FF 13. In addition, as the proposal represents only a change in one of two partners in an already-existing and well-utilized MRI service, the proposal is not expected to have any effect on existing providers in the service area. FF 8.

Based upon historical, current and projected utilization of the MRI scanners, Applicants have demonstrated a need for YNHH to acquire DePaul's ownership interest in SRMRC in order to help ensure continued access to MRI services on the HSR campus for residents of the greater New Haven community. Moreover, OHCA finds that the relationship of this proposal to the broader acquisition of SRHS's assets by YNHH will have a positive impact on the financial strength of the health delivery system.

Order

Based upon the foregoing Findings and Decision, the Certificate of Need application of Saint Raphael Magnetic Resonance Imaging, DePaul Health Services Corporation ("DePaul") and Yale-New Haven Hospital ("YNHH") for YNHH to assume DePaul's 50% ownership share in SRMRC 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

6/27/2012
Date

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