

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

October 11, 2013

IN THE MATTER OF:

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

Saint Raphael Magnetic Resonance Center,
Yale-New Haven Hospital, Medical Imaging
Associates, P.C. & Yale-New Haven Ambulatory
Services Corporation

Notice of Agreed Settlement
Office of Health Care Access
Docket Number: 13-31819-CON

Proposal to Transfer the Ownership of Saint
Raphael Magnetic Resonance Center to Yale-New
Haven Hospital

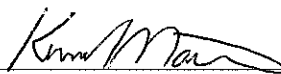
To:

Nancy Rosenthal
Senior Vice President/Health Systems Development
Department of Planning & Business Development
Yale-New Haven Hospital
2 Howe Street
New Haven, CT 06510

Mr. Zenon Protopapas
Medical Director, SRMRC
Medical Imaging Associates
330 Orchard Street, Suite 10B
New Haven, CT 06511

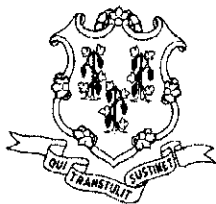
Dear Ms. Rosenthal and Mr. Protopapas:

This letter will serve as notice of the approved Certificate of Need in the above matter, as provided by Section 19a-638, C.G.S. On October 11, 2013, the Agreed Settlement, attached hereto, was adopted and issued as an Order of the Department of Public Health, Office of Health Care Access.



Kimberly R. Martone
Director of Operations

An Equal Opportunity Provider
(If you require aid/accommodation to participate fully and fairly, contact us either by phone, fax or email)
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**Department of Public Health
Office of Health Care Access
Certificate of Need Application**

Agreed Settlement

Applicants: Saint Raphael Magnetic Resonance Center
Yale-New Haven Hospital
Medical Imaging Associates, P.C.
Yale-New Haven Ambulatory Services Corporation

Docket Number: 13-31819-CON

Project Title: Transfer of Ownership of Saint Raphael Magnetic Resonance Center to Yale-New Haven Hospital

**Estimated Total
Capital Expenditure:** \$4,200,000

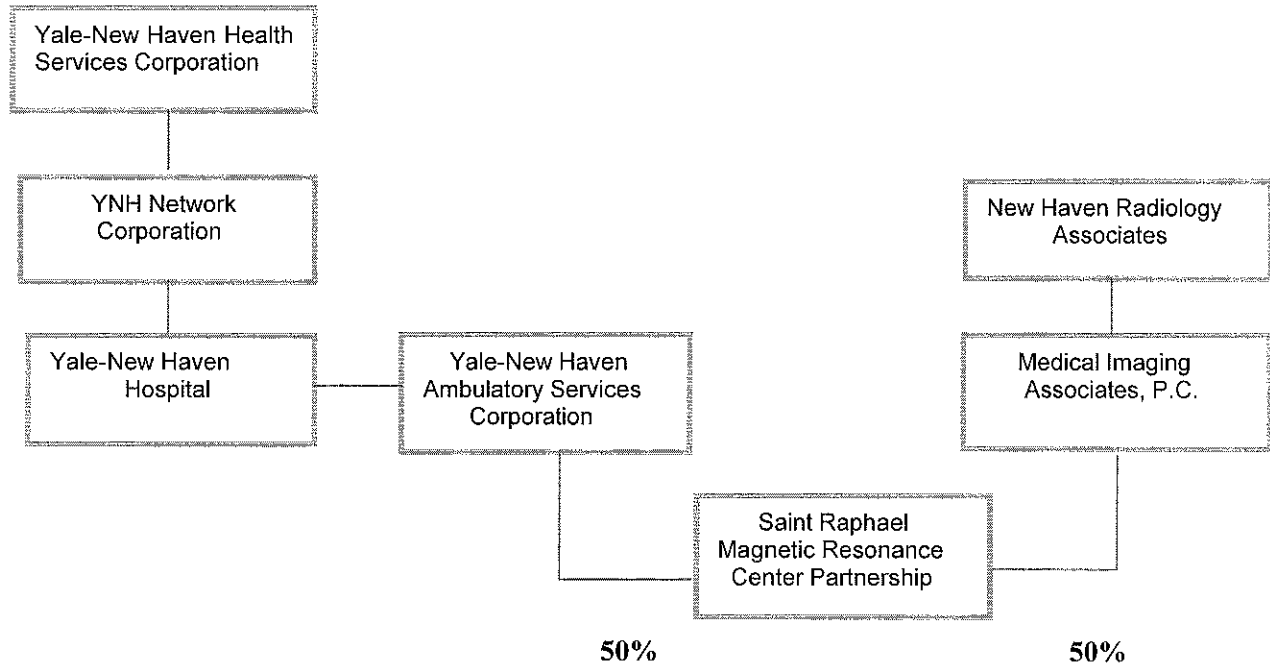
Project Description: Saint Raphael Magnetic Resonance Center, Medical Imaging Associates, P.C., Yale-New Haven Ambulatory Services Corporation and Yale-New Haven Hospital (herein collectively referred to as "Applicants") are proposing to transfer the ownership of Saint Raphael Magnetic Resonance Center to Yale-New Haven Hospital.

Procedural History: The Office of Health Care Access ("OHCA") received a Certificate of Need ("CON") application from Saint Raphael Magnetic Resonance Center and Yale-New Haven Hospital on January 25, 2013 for the above-referenced project and deemed the application complete on June 5, 2013. Saint Raphael Magnetic Resonance Center and Yale-New Haven Hospital published notice of their intent to file the CON Application in the *New Haven Register*, on November 1, 2 and 3, 2012. OHCA received no responses from the public concerning the Applicants' proposal and no hearing requests were received from the public pursuant to Connecticut General Statutes ("Conn. Gen. Stat.") § 19a-639a. Based upon its review of the application, OHCA determined that Medical Imaging Associates, P.C. and Yale-New Haven Ambulatory Services Corporation must be made Applicants to the CON application.

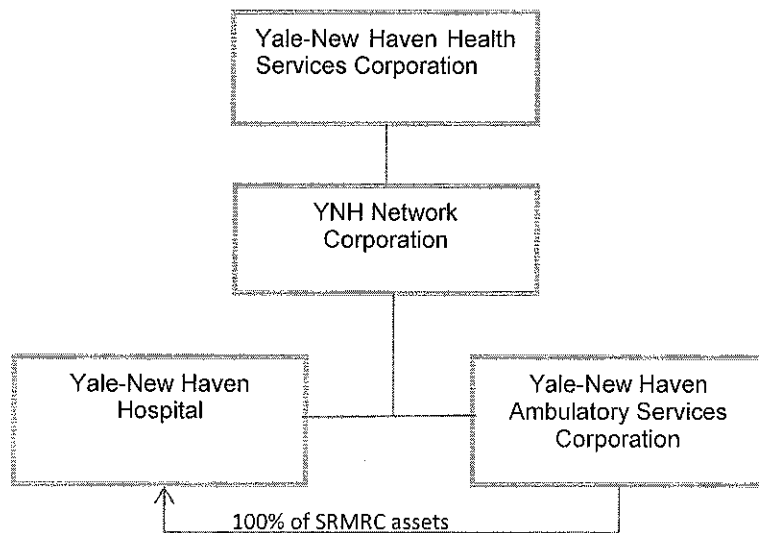
Findings of Fact

1. Yale-New Haven Hospital is an acute care general hospital located at 20 York Street in New Haven, Connecticut and a health care facility or institution as defined by Conn. Gen. Stat. §19a-630. Ex. A. p.108
2. Saint Raphael Magnetic Resonance Center is a joint venture that is owned equally by Yale-New Haven Ambulatory Services Corporation, an affiliate of Yale-New Haven Hospital, and Medical Imaging Associates, P.C., an affiliate of New Haven Radiology Associates, P.C. Ex. A. p.17
3. On September 12, 2012, Yale-New Haven Hospital, through its affiliate, Yale-New Haven Ambulatory Services Corporation, acquired a 50% ownership interest in Saint Raphael Magnetic Resonance Center (DN: 12-31759-CON) as part of Yale-New Haven Hospital's acquisition of Saint Raphael Healthcare System and the Hospital of Saint Raphael (DN: 12-31747-CON). Ex. A. p.17
4. The Applicants are proposing that Yale-New Haven Ambulatory Services Corporation purchase a partnership interest in Saint Raphael Magnetic Resonance Center from Medical Imaging Associates. Following the purchase, Yale-New Haven Ambulatory Services Corporation will transfer the assets of Saint Raphael Magnetic Resonance Center to Yale-New Haven Hospital. Ex. A. p.17
5. The legal chart of the Saint Raphael Magnetic Resonance Center below shows the current and proposed corporate structure. Ex. A. pp.26-27

Saint Raphael Magnetic Resonance Center Organization Chart-Current Ownership



Saint Raphael Magnetic Resonance Center Organization Chart-Proposed Ownership



6. Saint Raphael Magnetic Resonance Center owns and operates two MRI¹ scanners, a 3T and a 1.5T. Both MRI scanners are located at 330 Orchard Street, New Haven. Ex. A. p.17
7. Saint Raphael Magnetic Resonance Center provides outpatient MRI services and leases the MRIs to Yale-New Haven Hospital for the hospital's inpatient and emergency patients at the Saint Raphael campus location. Ex. A. p.17
8. The Applicants indicate that the primary service area consists of East Haven, Hamden, New Haven, North Haven and West Haven. The secondary service area includes Ansonia, Bethany, Branford, Derby, Guilford, Huntington (Shelton), Madison, Meriden, Milford, North Branford, Orange, Seymour, Wallingford, and Woodbridge. Ex. A. p.190
9. The Applicants began to discuss the proposed ownership transfer prior to the closing of Yale-New Haven Hospital's acquisition of the Hospital of Saint Raphael in the summer of 2012 and signed a Partnership Interest Purchase Agreement in September of 2012. Ex. A. p.18
10. As a result of Yale New-Haven Hospital's acquisition of the Hospital of St. Raphael, all radiology professional services on the St. Raphael Campus were to be transitioned to Yale School of Medicine, whose policies prohibit physician ownership of facilities such as Saint Raphael Magnetic Resonance Center. Therefore, Medical Imaging Associates, P.C. and its physicians need to divest their interest in Saint Raphael Magnetic Resonance Center. Ex. A. p.17
11. No new entities will be created as a result of this proposal. Saint Raphael Magnetic Resonance Center will be dissolved and its assets will ultimately be transferred to Yale-New Haven Hospital. Yale-New Haven Hospital will operate the MRIs as hospital-based scanners. Ex. A. pp.17, 19
12. The Applicants state that Saint Raphael Magnetic Resonance Center's current MRI charges will not be applicable after the change of ownership to Yale-New Haven Hospital. Yale-New Haven Hospital's MRI charges will apply for MRI scans provided on the St. Raphael campus following the change in ownership. Ex. A. p.192
13. The Applicants report that the proposed transfer will not change any existing services. Ex. A. p.18

¹ MRI scanners were approved through the following CON decisions: DN: 87-1001, 98-1001, 99-1000, 02-262, 05-22933MDF.

14. The Applicants state that if the proposed transfer is approved, written notification regarding the change in ownership will be provided to patients prior to the transfer of ownership. Ex. A. p.19
15. The Applicants state that this proposal will ensure high quality patient care through consistency in clinical standards, policies and procedures throughout Yale-New Haven Hospital, regardless of the location of service. Ex. A. p.20
16. The Applicants reported the following historical MRI scanner volume for inpatients and outpatients:

Table 1: Historical MRI Volume by Patient Type for Both MRI Scanners

MRI scans	Historical Volume		
	FY 2010	FY 2011	FY 2012
Inpatient	2,133	2,114	2,047
Outpatient *	7,257	7,008	6,531
Total	9,390	9,122	8,578

*ED volume is included in outpatient volume.

Note: Applicants stated that historical volumes between FY 2010 and FY 2012 have declined slightly due to the challenges that were faced by Hospital of St. Raphael. It is described in CON decisions DN: 12-31747 and DN: 12-31759.

Ex. A.p.189

17. The Applicants state that FY 2013 volumes are projected to remain flat from FY 2012 due to the transitional year during which Yale-New Haven Hospital acquired the Hospital of St. Raphael. FY 2014-2016 volumes are anticipated to grow 4%, 4% and 1%, respectively. The Applicants expect volume to be back to FY 2010 levels by FY 2016, as a result of anticipated increases in patient activity on the St. Raphael campus.

Table 2: Projected MRI Volume by Patient Type for Both MRI Scanners

MRI scans	Estimated	Projected Volume		
		(First 3 Full Operational FYs)		
	FY 2013	FY 2014	FY 2015	FY 2016
Inpatient	2,047	2,114	2,118	2,120
Outpatient *	6,531	6,782	7,112	7,225
Total	8,578	8,896	9,230	9,345

*ED volume is included in outpatient volume.

Ex. A.p.189

18. The Applicants do not anticipate a change in the projected patient population mix. The current and projected population mix for MRI patients is presented in the following table.

Table 3: Patient Population Mix – for MRI Patients

	Current FY 2012	Year 1 FY 2013	Year 2 FY 2014	Year 3 FY 2015
Medicare*	23%	23%	23%	23%
Medicaid*	21%	21%	21%	21%
CHAMPUS & TriCare	1%	1%	1%	1%
Total Government	45%	45%	45%	45%
Commercial Insurers*	53%	53%	53%	53%
Uninsured	2%	2%	2%	2%
Workers Compensation	1%	1%	1%	1%
Total Non-Government	55%	55%	55%	55%
Total Payer Mix	100%	100%	100%	100%

* Includes managed care activity.

Ex.A.p.22

19. The Applicants state that this proposal is cost effective because incorporating the MRIs into Yale New-Haven Hospital's radiology department will create staffing efficiencies and cost savings related to reducing duplication in marketing, registration, billing and accreditation as well as allow for more competitive purchasing contracts for medical and non-medical supplies. Ex. A.p.18, 22&24

20. The Applicants project the following incremental revenue and expenses with the proposed project:

Table 4: Projected Incremental Revenue and Expenses

Description	FY2014	FY2015	FY2016
Revenue from Operations	\$2,530,050	\$2,648,749	\$2,780,500
Total Operating Expenses	\$2,408,041	\$2,513,233	\$2,635,280
Incremental Gain from Operations	\$122,009	\$135,517	\$145,220

Ex. A.p.184

Note: Figures are in thousands.

Note: The above figures are based on the projected 1%-4% increase in MRI volume and increased patient activity on the Saint Raphael campus.

21. The Applicants state that the proposed project will be funded from Yale-New Haven Hospital's equity payment² and any distributions from Saint Raphael Magnetic Resonance Center. Ex. A. p.21

22. The total capital expenditure associated with this proposal is \$4,200,000 and is itemized as follows:

² An ownership interest in a corporation in the form of common stock or preferred stock.

Table 5: Proposed Capital Costs

Imaging Equipment Purchase	\$1,100,200
Construction/Renovation	\$540,200
Other Non-Construction (Specify) – Goodwill	\$2,559,600
Total Capital Cost (TCC)	\$4,200,000

Ex. A. p.21

23. OHCA is currently in the process of establishing its policies and standards as regulations. Therefore, OHCA has not made any findings as to this proposal's relationship to any policies and standards not yet adopted as regulations by OHCA. (Conn. Gen. Stat. § 19a-639(a)(1))
24. This CON application is consistent with the overall goals of the Statewide Health Care Facilities and Services Plan. (Conn. Gen. Stat. § 19a-639(a)(2))
25. The Applicants have satisfactorily demonstrated that there is a clear public need for the proposal. (Conn. Gen. Stat. § 19a-639(a)(3))
26. The Applicants have demonstrated that this proposal is financially feasible. (Conn. Gen. Stat. § 19a-639(a)(4))
27. The Applicants have satisfactorily demonstrated that their proposal would improve the accessibility of health care delivery in the region and have satisfactorily demonstrated a potential improvement in quality and cost effectiveness. (Conn. Gen. Stat. § 19a-639(a)(5))
28. The Applicants have shown that there would be no change to the provision of health care services to the relevant populations and payer mix. (Conn. Gen. Stat. § 19a-639(a)(6))
29. The Applicants have satisfactorily identified the population to be served by their proposal. (Conn. Gen. Stat. § 19a-639(a)(7))
30. The historical utilization in the service area supports this proposal. (Conn. Gen. Stat. § 19a-639(a)(8))
31. The Applicants have satisfactorily demonstrated that their proposal would not result in an unnecessary duplication of existing imaging services in the area. (Conn. Gen. Stat. § 19a-639(a)(9))

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 § 19a-639(a) of the Statutes. The Applicants bear the burden of proof in this matter by a preponderance of the evidence. *Jones v. Connecticut Medical Examining Board*, 309 Conn. 727 (2013).

Saint Raphael Magnetic Resonance Center is a joint venture owned equally by Yale-New Haven Ambulatory Services Corporation, an affiliate of Yale-New Haven Hospital, and Medical Imaging Associates, P.C., an affiliate of New Haven Radiology Associates, P.C. *FF2, 5*. In September of 2012, Yale-New Haven Hospital acquired a 50% ownership interest in Saint Raphael Magnetic Resonance Center as the part of Yale-New Haven Hospital's acquisition of Saint Raphael Healthcare System and the Hospital of Saint Raphael. *FF3*. As a result of this acquisition, all radiology professional services on the St. Raphael Campus were to be transitioned to Yale School of Medicine. As Yale School of Medicine's policies prohibit physician ownership of facilities such as Saint Raphael Magnetic Resonance Center, the Applicants are proposing that Yale-New Haven Ambulatory Services Corporation purchase the remaining partnership interest in Saint Raphael Magnetic Resonance Center from Medical Imaging Associates, P.C., thereby allowing the Medical Imaging Associates, P.C. physicians to divest their interest in Saint Raphael Magnetic Resonance Center. *FF4, 10*.

The proposed purchase will permit Yale-New Haven Ambulatory Services Corporation to acquire sole ownership of Saint Raphael Magnetic Resonance Center and to integrate the acquired MRI services with Yale-New Haven Hospital's radiology department. *FF3, 4&19*. There will be no changes to the services offered as a result of the Applicants' proposal and the patient population mix is projected to remain the same. *FF13, 18*. Integration and alignment of these services under the control of Yale-New Haven Hospital will provide a seamless continuum of care for patients and ensure high quality care for patients in the community while reducing duplication in marketing, registration and billing. The proposal will also improve care coordination and create cost efficiencies through shared resources and will ensure high quality patient care and consistency in clinical standards, policies and procedures. *FF15, 19*.

The total cost associated with this proposal is \$4,200,000, which will be funded from Yale-New Haven Hospital's equity payment and distributions from Saint Raphael Magnetic Resonance Center. *FF21, 22*. The Applicants project incremental gains from operations associated with the proposal for the first three full fiscal years of operation. *FF20* The Applicants' financial projections appear reasonable and achievable, therefore, OHCA concludes that the proposal is financially feasible.

Based on historical utilization levels and efficiencies that will be realized, OHCA finds the Applicants have demonstrated clear public need for the transfer of ownership and control of Saint Raphael Magnetic Resonance Center to Yale-New Haven Hospital. *FF15, 16&19*.

Following the purchase, Yale-New Haven Ambulatory Services Corporation will transfer the assets of Saint Raphael Magnetic Resonance Center to Yale-New Haven Hospital and operate the MRIs as hospital-based services.^{FF4,11} Therefore, Saint Raphael Magnetic Resonance Center's MRI charges will no longer be applicable after the change of ownership. Instead, Yale-New Haven Hospital's charges will apply for MRI scans provided at that location. ^{FF12}. In order to ensure that current and future patients of the facility understand that there has been a transfer of MRI services and equipment to Yale New-Haven Hospital and that the transfer may result in changes in billing, fee structure, co-payments or out-of-pocket expenses, OHCA requires that the Applicants agree to take certain actions as stated in the order attached hereto.

ORDER

NOW, THEREFORE, the Department of Public Health, Office of Health Care Access (“OHCA”), and Yale-New Haven Hospital ; Saint Raphael Magnetic Resonance Center; Medical Imaging Associates, P.C.; and Yale-New Haven Ambulatory Services Corporation hereby stipulate and agree to the terms of settlement with respect to the transfer of ownership of Saint Raphael Magnetic Resonance Center to Yale-New Haven Hospital, as follows:

1. The Applicants agree to the following related to the transfer of the MRI services and equipment to Yale-New Haven Hospital:
 - a. The Applicants shall release a one-time notification to the known referral base for the MRI services which explains to the referring physicians and other practitioners, the transfer of the services and equipment and clearly identifies Yale-New Haven Hospital as the provider and owner of the services and equipment. A copy of such notification and a list of the referral base shall be filed with OHCA within ten (10) days of the transfer of ownership of the MRI equipment.
 - b. Yale-New Haven Hospital shall provide, for a period of one (1) year from the date of transfer of ownership of the MRI equipment, a written notification to patients of the transferred MRI services, which fully explains the transfer of the MRI services and equipment and clearly identifies Yale-New Haven Hospital as the provider and owner of the services. This notice shall be written in plain English and Spanish (for low literacy clients) and must include language which: 1) alerts the patients that the transfer may lead to changes in billing as the service will now be provided by Yale-New Haven Hospital and 2) as such, changes to the fee or charge structure may occur as well as a patient's co-payment or out-of-pocket expenses related to the procedure. An initial notice shall be placed in Yale-New Haven Hospital's monthly community newsletter mailed to the residents of the State on the hospital's mailing list and available on the hospital's website promptly following the transfer of ownership of the MRI equipment. In addition, verbal notification shall be given to the patient if the appointment is scheduled over the phone (as opposed to merely on the day of the appointment). A copy of such notification shall be filed with OHCA within ten (10) days of the transfer of ownership of the MRI equipment.
 - c. The Applicants shall make it evident to the public, for at least one (1) year from the date of the transfer of ownership of the MRI equipment, that the MRI service previously known as Saint Raphael Magnetic Resonance Center is now a service provided by Yale-New Haven Hospital and Yale-New Haven Hospital shall be transparent regarding the ownership of the MRI services in all references including, but not limited to, the following:

ORDER

NOW, THEREFORE, the Department of Public Health, Office of Health Care Access (“OHCA”), and Yale-New Haven Hospital ; Saint Raphael Magnetic Resonance Center; Medical Imaging Associates, P.C.; and Yale-New Haven Ambulatory Services Corporation hereby stipulate and agree to the terms of settlement with respect to the transfer of ownership of Saint Raphael Magnetic Resonance Center to Yale-New Haven Hospital, as follows:

1. The Applicants agree to the following related to the transfer of the MRI services and equipment to Yale-New Haven Hospital:
 - a. The Applicants shall release a one-time notification to the known referral base for the MRI services which explains to the referring physicians and other practitioners, the transfer of the services and equipment and clearly identifies Yale-New Haven Hospital as the provider and owner of the services and equipment. A copy of such notification and a list of the referral base shall be filed with OHCA within ten (10) days of the transfer of ownership of the MRI equipment.
 - b. Yale-New Haven Hospital shall provide, for a period of one (1) year from the date of transfer of ownership of the MRI equipment, a written notification to patients of the transferred MRI services, which fully explains the transfer of the MRI services and equipment and clearly identifies Yale-New Haven Hospital as the provider and owner of the services. This notice shall be written in plain English and Spanish (for low literacy clients) and must include language which: 1) alerts the patients that the transfer may lead to changes in billing as the service will now be provided by Yale-New Haven Hospital and 2) as such, changes to the fee or charge structure may occur as well as a patient's co-payment or out-of-pocket expenses related to the procedure. An initial notice shall be placed in Yale-New Haven Hospital’s monthly community newsletter mailed to the residents of the State on the hospital’s mailing list and available on the hospital’s website promptly following the transfer of ownership of the MRI equipment. In addition, a notice about the changes will be placed in all of the newspapers (including those for the Spanish community) in the hospital’s service area, such as Inner City News, La Voz and the local weekly newspapers. Verbal notification shall also be given to the patient if the appointment is scheduled over the phone (as opposed to merely on the day of the appointment). A copy of such notification shall be filed with OHCA within ten (10) days of the transfer of ownership of the MRI equipment.
 - c. The Applicants shall make it evident to the public, for at least one (1) year from the date of the transfer of ownership of the MRI equipment, that the MRI service previously known as Saint Raphael Magnetic Resonance Center is now a service

provided by Yale-New Haven Hospital and Yale-New Haven Hospital shall be transparent regarding the ownership of the MRI services in all references including, but not limited to, the following:

- Signage;
 - Hospital website;
 - Advertisements;
 - Phone book listing;
 - Post a clear visible copy of the notification in the MRI center;
 - Telephone greeting for the MRI service department; and
 - Letterhead or forms used for the MRI service department.
2. This Agreed Settlement is an order of the Office of Health Care Access with all the rights and obligations attendant thereto, and the Office of Health Care Access may enforce this Agreed Settlement under the provisions of Conn. Gen. Stat. §§ 19a-642 and 19a-653 with all fees and costs of such enforcement being the responsibility of the Applicants.
 3. OHCA and the Applicants agree that this Agreed Settlement represents a final agreement between OHCA and the Applicants with respect to this Application. The signing of this Agreed Settlement resolves all objections, claims, and disputes that may have been raised by the Applicants with regard to Docket Number: 13-31819-CON.
 4. This Agreed Settlement shall be binding upon the Applicants and their successors and assigns.

Signed by Richard D'Aquila, President/COO
(Print name) (Title)

October 9, 2013
Date


Duly Authorized Agent for
Yale-New Haven Hospital

✓ Signed by ZENON PROTOPAPAS, Resident MIA
(Print name) (Title)

10/9/13
Date


Duly Authorized Agent for
Saint Raphael Magnetic Center

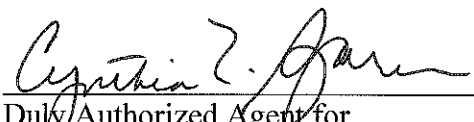
✓ Signed by ZENON PROTOPAPAS, Resident MIA
(Print name) (Title)

10/9/13
Date



Duly Authorized Agent for
Medical Imaging Associates, P.C.

Signed by Cynthia N. Sparer, President
(Print name) (Title)

October 9, 2013
Date


Duly Authorized Agent for
Yale-New Haven Ambulatory Services Corporation

The above Agreed Settlement is hereby accepted and so ordered by the Department of Public Health Office of Health Care Access on 10/11/13.


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

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STATE OF CONNECTICUT
OFFICE OF HEALTH CARE ACCESS

FAX SHEET

TO: NANCY ROSE ITHAL/ZENON PROTOPAPAS

FAX: 203.863.4736

AGENCY: YALE-NEW HAVEN HOSPITAL

FROM: OHCA

DATE: 10/11/13 Time: _____

NUMBER OF PAGES: 14
(including transmittal sheet)

Comments:
Docket Number : 13-31819-CON

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IF THERE ARE ANY

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STATE OF CONNECTICUT
OFFICE OF HEALTH CARE ACCESS

FAX SHEET

TO: NANCY ROSENTHAL/ZENON PROTOPAPAS

FAX: 203.863.4736/2-3.789.5183

AGENCY: YALE-NEW HAVEN HOSPITAL

FROM: OHCA

DATE: 6/5/13 Time: _____

NUMBER OF PAGES: 1
(including transmittal sheet)

Comments:
Docket Number: 13-31819-CON

PLEASE PHONE
TRANSMISSION PROBLEMS

IF THERE ARE ANY