



STATE OF CONNECTICUT
OFFICE OF HEALTH CARE ACCESS

M. JODI RELLE
GOVERNOR

CRISTINE A. VOGEL
COMMISSIONER

May 11, 2006

Gerald R. Berg, M.D., President
Valley Imaging Partners, LLC
Crosspointe Plaza
799 New Haven Road
Naugatuck, CT 06770

Re: Certificate of Need Determination, Report Number 06-30696-DTR
Valley Imaging Partners, LLC
Acquisition and operation of a CT scanner during 2004

Dear Dr. Berg:

On March 24, 2006, the Office of Health Care Access ("OHCA") received a response to its February 27, 2006 inquiry regarding the acquisition and operation of a CT scanner at the Naugatuck service location of Valley Imaging Partners, LLC ("Applicant"). OHCA is reviewing this matter as a Certificate of Need ("CON") Determination under Report Number 06-30696-DTR. Please be advised that OHCA has reviewed your request and makes the following findings:

- 1) Valley Imaging Partners, LLC ("Applicant") is a provider of radiology services at 799 New Haven Road (the Crosspointe Plaza) in Naugatuck Connecticut. Valley Imaging Partners, LLC is the legal entity which acquired the CT scanner during 2004.
- 2) Valley Imaging Partners, LLC is a joint venture limited liability company with two members: Diagnostic Radiology Associates ("DRA"), a private physician practice, is a 51% owner and Greater Waterbury Management Resources, Inc. (GWMRI) is a 49% owner. GWMRI is a physician practice management corporation that falls under the Greater Waterbury Health Network corporate umbrella. Greater Waterbury Health Network is the parent corporation of Waterbury Hospital.
- 3) On June 5, 2002, under CON Determination Report Number 02-N1, OHCA determined that the acquisition of an Open MRI unit by Valley Imaging Partners, LLC did not require a CON. Valley Imaging Partners, LLC was organized on July 29, 2002.
- 4) The Applicant bills a global fee for CT scanning services. DRA is paid for their professional fees by the Applicant through the professional services contract. A facility fee is not charged. The Applicant has its own provider number and contracts with all payers.
- 5) The Applicant is not currently an independent diagnostic testing facility (IDTF) but is in the process of filing for this designation with Medicare.

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- 6) Pursuant to a Professional Services Agreement between Valley Imaging Partners, LLC and Diagnostic Radiology Associates, LLC executed on April 1, 2003:
 - a) DRA provides the professional radiology services under the direction of a medical director and through the work of physicians either employed by DRA or under contract with DRA. DRA supervises all medical services, and reviews, interprets and dictates all patient examinations.
 - b) As compensation for DRA's provision of professional medical services, Valley Imaging Partners, LLC pays DRA a percent of the cash receipts of Valley Imaging Partners, LLC.
 - c) DRA is the exclusive provider of medical services during the term of the agreement.

- 7) Pursuant to a Business Services Agreement between Valley Imaging Partners, LLC and Diagnostic Radiology Associates, LLC executed on April 1, 2003:
 - a) DRA provides strategic planning and administrative management, patient scheduling and fiscal management. DRA provides an office manager, the licensed radiology technologists, office personnel and a compliance officer.
 - b) DRA ensures effective quality management and outcome monitoring and oversees the quality of services.
 - c) DRA, subject to the approval of the Applicant's Management Committee, is responsible for maintaining the fiscal systems. DRA acts as the purchasing agent for goods, supplies and services.
 - d) DRA is the designated agent to bill, collect and receive payment for diagnostic imaging services. Billing will be performed on a global fee basis.
 - e) Valley Imaging Partners, LLC pays DRA a set management fee for its services, plus additional compensation when cases exceed 380 patient cases per month.
 - f) Valley Imaging Partners, LLC pays DRA for its billing and collection services based on a percentage of total cash receipts.

- 8) The CT scanner acquired by the Applicant is a General Electric Model GS Highspeed CTI CT scanner and was purchased as a pre-owned piece of equipment. The CT scanner was ordered on May 14, 2004, delivered on September 8, 2004 and installed on September 9, 2004.

- 9) The Applicant incurred all capital costs related to the CT scanner acquisition and implementation, as follows:

Purchase Price for the CT scanner*	\$241,733
Associated Renovations**	\$ 99,002
Purchase Injection system	\$ 10,971
Architect Fees	<u>\$ 7,209</u>
Total Capital Expenditure	\$358,915

* includes sales tax, delivery and installation

** includes the cost of installing leaded drywall for shielding

- 10) The Applicant provided the following in support of the capital expenditure amounts listed above:
 - Proof of Delivery of the unit to Valley Imaging Partners on September 8, 2004
 - Cancelled checks for the CT scanner acquisition and related renovations dated during 2004.

- 11) Pursuant to Section 19a-630 of the Connecticut General Statutes (“CGS”), health care facilities and institutions includes “*any ...subsidiary, affiliate or joint venture, or any combination thereof, of any such facility or institution ...*” Section 19a-630a of the Connecticut General Statutes (as amended on October 1, 2005 by Public Act 05-75) defines affiliate as “*a person entity or organization controlling, controlled by or under common control with another person, entity or organization*”.
- 12) GWMRI, a subsidiary of Greater Waterbury Health Network and an affiliate of Waterbury Hospital, is a health care facility or institution pursuant to Sections 19a-630 and 19a-630a, CGS.

Based on the above findings, OHCA has determined that the Applicant is not required to file a Certificate of Need request for the 2004 acquisition of the CT scanner pursuant to Section 19a-639, C.G.S., as it was fully acquired prior to the implementation of Public Act 05-93. The Applicant has provided to OHCA satisfactory evidence that it acquired the CT scanner for under \$400,000 prior to July 1, 2005.

Diagnostic Radiology Associates, a private medical practice, is not structured as a health care facility or institution. However, based upon the above findings, OHCA finds that the Valley Imaging Partners, LLC, the owner of the imaging equipment, is structured as both a Central Service Facility and a joint venture wherein a member owner is a health care facility or institution. Therefore, Valley Imaging Partners, LLC is itself a health care facility or institution and will be subject to Certificate of Need review for any future applicable projects under Sections 19a-638 and/or 19a-639 of the Connecticut General Statutes.

If you have any questions concerning this letter, please contact Karen Roberts, Compliance Officer, at (860) 418-7001.

Sincerely,

Signed by Commissioner Vogel on May 11, 2006

Cristine A. Vogel
Commissioner

CAV:kr