

Supplemental CON Application Form Acquisition of Equipment

Conn. Gen. Stat. § 19a-638(a)(10),(11)

- Applicant: Eastern Connecticut Health Network, Inc. and Prospect Medical Holdings, Inc.
- **Project Name:** Acquisition of Manchester Memorial Hospital's MRI, PET/CT and CT scanners as part of the Proposed Asset Purchase of Eastern Connecticut Health Network, Inc. by Prospect Medical Holdings, Inc.

Affidavit

Applicant: Eastern Connecticut Health Network, Inc. and Prospect Medical Holdings, Inc.

Project Title: <u>Acquisition of Manchester Memorial Hospital's MRI, PET/CT and CT</u> <u>scanners as part of the Proposed Asset Purchase of Eastern Connecticut</u> <u>Health Network, Inc. by Prospect Medical Holdings, Inc.</u>

I, Peter J. Karl, President and Chief Executive Officer (Name) (Position – CEO or CFO)

of <u>Eastern Connecticut Health Network, Inc.</u> being duly sworn, depose and state that the *(Facility Name)* said facility complies with the appropriate and applicable criteria as set forth in the Sections 19a-630, 19a-637, 19a-638, 19a-639, 19a-486 and/or 4-181 of the Connecticut General Statutes.

Signature

Date

Subscribed and sworn to before me on_____

Notary Public/Commissioner of Superior Court

My commission expires: _____

Affidavit

Applicant: Eastern Connecticut Health Network, Inc. and Prospect Medical Holdings, Inc.

Project Title: <u>Acquisition of Manchester Memorial Hospital's MRI, PET/CT and CT</u> <u>scanners as part of the Proposed Asset Purchase of Eastern Connecticut</u> <u>Health Network, Inc. by Prospect Medical Holdings, Inc.</u>

Ι, _	Samuel S. Lee	, Chief Executive Officer
	(Name)	(Position – CEO or CFO)

of <u>Prospect Medical Holdings, Inc.</u> being duly sworn, depose and state that the *(Facility Name)* said facility complies with the appropriate and applicable criteria as set forth in the Sections 19a-630, 19a-637, 19a-638, 19a-639, 19a-486 and/or 4-181 of the Connecticut General Statutes.

Signature

Date

Subscribed and sworn to before me on_____

Notary Public/Commissioner of Superior Court

My commission expires: _____

1. Project Description: Acquisition of Equipment

Overview of Project:

Manchester Memorial Hospital ("MMH") in Manchester, Connecticut provides a broad range of imaging services including computed tomography ("CT"), interventional radiology, mammography, magnetic resonance imaging ("MRI"), nuclear medicine, positron emission tomography with computed tomography ("PET/CT"), ultrasound, ultrasound biopsies and general radiography (x-ray).

Eastern Connecticut Health Network, Inc. ("ECHN"), the parent company of MMH, has now entered into an agreement (the "Asset Purchase") with Prospect Medical Holdings, Inc. ("PMH") with the intent to sell substantially all of ECHN's assets to PMH or one or more affiliates of PMH. As part of the proposed Asset Purchase, a subsidiary of PMH that will continue the operations of MMH will acquire the MRI, PET/CT and both CT scanners currently operated by MMH.¹

Following the Asset Purchase, there will be no change in operations or services offered by MMH as a result of ECHN transferring its interests to PMH. MMH will continue to offer the same level of care to the same communities that have historically been served by MMH. The Applicants do not anticipate any changes to the patient population or payor mix at MMH or any adverse impact on the communities' access to MRI and CT services.

a. Provide the manufacturer, model and number of slices/tesla strength of the proposed scanner (as appropriate to each piece of equipment).

Equipment	Manufacturer	Model	Slices/Strength
СТ	Siemens	Somatom Sensation	16-Slice
СТ	Siemens	Somatom Perspective	64-Slice
MRI	GE	Sigma LX	1.5 Tesla (fixed, closed)
PET/CT	GE	GE Discovery DST-600	4-Slice

Response:

¹ MMH contracts with an outside vendor to provide PET/CT services two-days per week utilizing a mobile PET/CT unit. PMH intends to continue providing PET/CT services utilizing a part-time mobile unit following the Asset Purchase.

b. List each of the Applicant's sites and the imaging modalities currently offered by location.

Response:

MMH is located at 71 Haynes Street in Manchester, Connecticut.

Imaging services provided at this location include:

- CT scans
- General radiography (x-ray)
- Interventional radiology
- Mammography
- MRI
- Nuclear medicine
- PET/CT scans
- Ultrasound
- Ultrasound biopsies

Additionally, MMH provides bone densitometry, mammography and x-ray services at its Glastonbury Wellness Center at 622 Hebron Avenue in Glastonbury, Connecticut.

2. Clear Public Need

a. Complete **Table A** for each piece of equipment of the type proposed currently operated by the Applicant at each of the Applicant's sites.

Provider Name/Address	Service	Days/Hours of Operation ⁽¹⁾	Utilization (SCANS) ⁽²⁾ July 2014 – June 2015
	CT (16-Slice)	Monday-Friday 8:00am to 7:00pm	16.270
	CT (64-Slice)	Saturday 8:00am to 12:00pm	16,370
Manchester Memorial Hospital 71 Haynes Street Manchester, CT 06040	MRI (1.5 T, Closed)	Monday-Friday 8:00am to 6:00pm Saturday 8:00am to 12:00pm	2,733
	PET/CT (4-Slice)	Monday and Wednesday 8:00am to 4:00pm	341

 TABLE A

 EXISTING EQUIPMENT OPERATED BY THE APPLICANT

(1) CT services are available for inpatient and emergent patients twenty-four hours per day, seven days a week.

(2) Utilization by specific CT scanner is not tracked in ECHN's data warehouse; total CT utilization has been provided.

b. Provide the rationale for locating the proposed equipment at the proposed site;

Response:

The Applicants are proposing to transfer the existing MRI, PET/CT and CT scanners at the Haynes Street location to a subsidiary of PMH that will continue the operations of MMH as part of part of the proposed Asset Purchase. The current need for the acquisition of the imaging equipment by PMH will be driven by changes to ECHN at the corporate level related to the proposed Asset Purchase. Following the Asset Purchase, there will be no change in the location of services or the specific services offered by EIC as a result of ECHN transferring its interests to PMH.

- 3. Actual and Projected Volume
 - a. Complete the following tables for the past three fiscal years ("FY"), current fiscal year ("CFY"), and first three projected FYs of the proposal, for each of the Applicant's existing and proposed pieces of equipment (of the type proposed, at the proposed location only). In **Table B**, report the units of service by piece of equipment, and in **Table C**, report the units of service by type of exam (e.g. if specializing in orthopedic, neurosurgery, or if there are scans that can be performed on the proposed scanner that the Applicant is unable to perform on its existing scanners).

TABLE B

Patient Type ⁽¹⁾	Actual Volume			CFY Actual Volume ⁽²⁾	CFY Annualized Volume ⁽³⁾		Projected	Volume ⁽⁴⁾	
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Emergent	6,491	6,567	7,084	5,613	7,484	7,484	7,484	7,484	7,484
Inpatient	3,819	4,161	4,004	2,830	3,773	3,773	3,773	3,773	3,773
Outpatient	5,820	4,922	4,972	3,741	4,988	4,988	4,988	4,988	4,988
Total:	16,130	15,650	16,060	12,184	16,245	16,245	16,245	16,245	16,245

TABLE B-1: HISTORICAL, CURRENT AND PROJECTED VOLUME BY PIECE OF EQUIPEMENT- CT

TABLE B-2: HISTORICAL, CURRENT AND PROJECTED VOLUME BY PIECE OF EQUIPEMENT- MRI

Patient Type ⁽¹⁾	Actual Volume			CFY Actual Volume ⁽²⁾	CFY Annualized Volume ⁽³⁾		Projected	Volume ⁽⁴⁾	
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Emergent	187	150	213	163	217	217	217	217	217
Inpatient	519	619	609	375	500	500	500	500	500
Outpatient	2,587	2,176	1,955	1,535	2,047	2,047	2,047	2,047	2,047
Total:	3,293	2,945	2,777	2,073	2,764	2,764	2,764	2,764	2,764

TABLE B-3: HISTORICAL, CURRENT AND PROJECTED VOLUME BY PIECE OF EQUIPEMENT- PET/CT

Patient Type ⁽¹⁾	Actual Volume			CFY Actual Volume ⁽²⁾	CFY Annualized Volume ⁽³⁾		Projected	Volume ⁽⁴⁾	
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Emergent	0	0	0	0	0	0	0	0	0
Inpatient	1	2	6	4	5	5	5	5	5
Outpatient	469	499	392	242	323	323	323	323	323
Total:	470	501	398	246	328	328	328	328	328

(1) Scan volume attributed to patient type as designated at time of discharge.

(2) Current fiscal year actual volume from October 1, 2014 through June 30, 2015.

(3) Actual volume for the first nine months of the current fiscal year annualized over twelve months.

(4) First year of the proposal (following Asset Purchase) will be FY 2017.

TABLE C – COMPUTED TOMOGRAPHY (CT)

Emergent		ctual Volun		CFY Actual Volume ¹	CFY Annualized Volume ²			l Volume ³	
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Abdomen	11	11	23	26	35	35	35	35	35
Abdomen/Pelvis	2,149	2,193	2,359	1,774	2,365	2,365	2,365	2,365	2,365
Chest/Thorax	569	525	631	491	655	655	655	655	655
Head/Neck	3,557	3,666	3,854	3,157	4,209	4,209	4,209	4,209	4,209
Lower Extremity	52	64	94	81	108	108	108	108	108
Pelvis	44	25	29	21	28	28	28	28	28
Thoracic/Lumbar	84	56	65	38	51	51	51	51	51
Upper Extremity	22	25	25	23	31	31	31	31	31
Other	3	2	4	2	3	3	3	3	3
Total	6,491	6,567	7,084	5,613	7,484	7,484	7,484	7,484	7,484
Inpatient	A	ctual Volun	Volume CFY CFY Actual Annualized Projected Volume ³ Volume ¹ Volume ²						
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Abdomen	63	61	61	36	48	48	48	48	48
Abdomen/Pelvis	1,192	1,320	1,279	886	1,181	1,181	1,181	1,181	1,181
Chest/Thorax	860	931	878	668	891	891	891	891	891
Head/Neck	1,269	1,475	1,439	1,011	1,348	1,348	1,348	1,348	1,348
Lower Extremity	74	96	101	75	100	100	100	100	100
Pelvis	36	32	33	17	23	23	23	23	23
Thoracic/Lumbar	35	35	34	27	36	36	36	36	36
Upper Extremity	18	17	16	12	16	16	16	16	16
Other	272	194	163	98	131	131	131	131	131
Total	3,819	4,161	4,004	2,830	3,773	3,773	3,773	3,773	3,773
Outpatient	A	ctual Volun	ne	CFY Actual Volume ¹	CFY Annualized Volume ²		Projected	I Volume ³	
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Abdomen	269	250	246	167	223	223	223	223	223
Abdomen/Pelvis	1,776	1,540	1,568	1,192	1,589	1,589	1,589	1,589	1,589
Chest/Thorax	1,680	1,676	1,626	1,250	1,667	1,667	1,667	1,667	1,667
Head/Neck	979	899	954	774	1,032	1,032	1,032	1,032	1,032
Lower Extremity	50	58	54	49	65	65	65	65	65
Pelvis	60	38	47	33	44	44	44	44	44
Thoracic/Lumbar	68	47	58	58	77	77	77	77	77
Upper Extremity	58	51	52	38	51	51	51	51	51
Other	880	363	367	180	240	240	240	240	240
Total	5,820	4,922	4,972	3,741	4,988	4,988	4,988	4,988	4,988

TABLE C-1: HISTORICAL, CURRENT AND PROJECTED VOLUME BY TYPE OF SCAN - CT

Total	Actual Volume			CFY Actual Volume ¹	CFY Annualized Volume ²	Projected Volume ³			
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Abdomen	343	322	330	229	305	305	305	305	305
Abdomen/Pelvis	5,117	5,053	5,206	3,852	5,136	5,136	5,136	5,136	5,136
Chest/Thorax	3,109	3,132	3,135	2,409	3,212	3,212	3,212	3,212	3,212
Head/Neck	5,805	6,040	6,247	4,942	6,589	6,589	6,589	6,589	6,589
Lower Extremity	176	218	249	205	273	273	273	273	273
Pelvis	140	95	109	71	95	95	95	95	95
Thoracic/Lumbar	187	138	157	123	164	164	164	164	164
Upper Extremity	98	93	93	73	97	97	97	97	97
Other	1,155	559	534	280	373	373	373	373	373
Total	16,130	15,650	16,060	12,184	16,245	16,245	16,245	16,245	16,245

TABLE C-1: HISTORICAL, CURRENT AND PROJECTED VOLUME BY TYPE OF SCAN - CT

Scan volume attributed to patient type as designated at time of discharge.
 Current fiscal year actual volume from October 1, 2014 through June 30, 2015.
 Actual volume for the first nine months of the current fiscal year annualized over twelve months.

(4) First year of the proposal (following Asset Purchase) will be FY 2017.

TABLE C – MAGNETIC RESONANCE IMAGING (MRI)

		CFY CFY CFY								
Emergent	A	ctual Volun	ne	CFY Actual Volume ¹	CFY Annualized Volume ²		Projected	l Volume ³		
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	
Abdomen	0	1	3	3	4	4	4	4	4	
Chest/Thorax	0	0	0	0	0	0	0	0	0	
Head/Neck	112	98	136	107	143	143	143	143	143	
Lower Extremity	10	14	11	9	12	12	12	12	12	
Pelvis	1	2	1	0	0	0	0	0	0	
Thoracic/Lumbar	63	34	62	37	49	49	49	49	49	
Upper Extremity	1	1	0	7	9	9	9	9	9	
Total	187	150	213	163	217	217	217	217	217	
Inpatient	A	ctual Volun	ne	CFY Actual Volume ¹	CFY Annualized Volume ²		Projected Volume ³			
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	
Abdomen	40	43	49	26	35	35	35	35	35	
Chest/Thorax	2	1	0	0	0	0	0	0	0	
Head/Neck	303	397	360	232	309	309	309	309	309	
Lower Extremity	85	79	87	49	65	65	65	65	65	
Pelvis	4	8	7	11	15	15	15	15	15	
Thoracic/Lumbar	71	79	88	51	68	68	68	68	68	
Upper Extremity	14	12	18	6	8	8	8	8	8	
Total	519	619	609	375	500	500	500	500	500	
Outpatient	A	ctual Volun	ne	CFY Actual Volume ¹	CFY Annualized Volume ²		Projected	l Volume ³		
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	
Abdomen	122	126	120	96	128	128	128	128	128	
Chest/Thorax	6	8	2	6	8	8	8	8	8	
Head/Neck	949	863	831	713	951	951	951	951	951	
Lower Extremity	592	425	330	233	311	311	311	311	311	
Pelvis	27	44	41	41	55	55	55	55	55	
Thoracic/Lumbar	499	466	439	314	419	419	419	419	419	
Upper Extremity	392	244	192	132	176	176	176	176	176	
Total	2,587	2,176	1,955	1,535	2,047	2,047	2,047	2,047	2,047	

TABLE C-2: HISTORICAL, CURRENT AND PROJECTED VOLUME BY TYPE OF SCAN – MRI

Total	Actual Volume			CFY Actual Volume ¹	CFY Annualized Volume ²		Projected	l Volume ³	
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Abdomen	162	170	172	125	167	167	167	167	167
Chest/Thorax	8	9	2	6	8	8	8	8	8
Head/Neck	1,364	1,358	1,327	1,052	1,403	1,403	1,403	1,403	1,403
Lower Extremity	687	518	428	291	388	388	388	388	388
Pelvis	32	54	49	52	69	69	69	69	69
Thoracic/Lumbar	633	579	589	402	536	536	536	536	536
Upper Extremity	407	257	210	145	193	193	193	193	193
Total	3,293	2,945	2,777	2,073	2,764	2,764	2,764	2,764	2,764

TABLE C-2: HISTORICAL, CURRENT AND PROJECTED VOLUME BY TYPE OF SCAN - MRI

Scan volume attributed to patient type as designated at time of discharge.
 Current fiscal year actual volume from October 1, 2014 through June 30, 2015.
 Actual volume for the first nine months of the current fiscal year annualized over twelve months.
 First year of the proposal (following Asset Purchase) will be FY 2017.

TABLE C - POSITRON EMISSION TOMOGRAPHY WITH COMPUTED TOMOGRAPHY (PET/CT)

TABLE C-3: HISTORICAL, CURRENT AND PROJECTED VOLUME BY TYPE OF SCAN - PET/CT

Emergent	Actual Volume			CFY Actual Volume ¹	CFY Annualized Volume ²		Projected	l Volume ³	
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Brain Image	0	0	0	0	0	0	0	0	0
Skull to Mid-Thigh	0	0	0	0	0	0	0	0	0
Whole Body	0	0	0	0	0	0	0	0	0
Total	0	0	0	0	0	0	0	0	0
Inpatient	A	ctual Volun	ne	CFY Actual Volume ¹	CFY Annualized Volume ²	Projected Volume ³			
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Brain Image	0	0	0	0	0	0	0	0	0
Skull to Mid-Thigh	1	2	6	4	5	5	5	5	5
Whole Body	0	0	0	0	0	0	0	0	0
Total	1	2	6	4	5	5	5	5	5
Outpatient	A	ctual Volun	ne	CFY Actual Volume ¹	CFY Annualized Volume ²		Projected	l Volume ³	
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Brain Image	1	0	1	1	1	1	1	1	1
Skull to Mid-Thigh	466	498	391	240	320	320	320	320	320
Whole Body	2	1	0	1	1	1	1	1	1
Total	469	499	392	242	323	323	323	323	323
						Projected Volume ³			
Total	A	ctual Volun	ne	CFY Actual Volume ¹	CFY Annualized Volume ²		Projected	l Volume ³	
Total	A FY 2012	ctual Volun FY 2013	ne FY 2014	Actual	Annualized	FY 2016	Projected FY 2017	l Volume ³ FY 2018	FY 2019
Total Brain Image				Actual Volume ¹	Annualized Volume ²	FY 2016	-		FY 2019
	FY 2012	FY 2013	FY 2014	Actual Volume ¹ FY 2015	Annualized Volume ² FY 2015		FY 2017	FY 2018	
Brain Image	FY 2012	FY 2013	FY 2014	Actual Volume ¹ FY 2015	Annualized Volume ² FY 2015	1	FY 2017	FY 2018	1

Scan volume attributed to patient type as designated at time of discharge.
 Current fiscal year actual volume from October 1, 2014 through June 30, 2015.
 Actual volume for the first nine months of the current fiscal year annualized over twelve months.

(4) First year of the proposal (following Asset Purchase) will be FY 2017.

b. Provide a detailed explanation of all assumptions used in the derivation/ calculation of the projected volume by scanner and scan type.

Response:

The average monthly volume experienced during the first nine months of FY 2015 was annualized over twelve months to determine the volume projection for FY 2015. Volume projections by scanner and scan type assumes that utilization will remain constant at FY 2015 levels through FY 2019.

c. Explain any increases and/or decreases in the volume reported in the tables above.

Response:

Recent efforts by insurance carriers to direct patients to "preferred providers" has increased dramatically in recent years. Patients have become more aware of the cost of care as a result of higher co-pays and high-deductible health plans. This increased awareness, combined with insurance carrier efforts to direct patients to lower cost providers, has resulted in a decline in volume for hospital-based services, including MRI and CT services.

d. Provide a breakdown, by town, of the volumes provided in **Table D** for the most recently completed FY.

Response:

Please see Table D below for the CT, MRI and PET/CT scan volume for FY 2014 by town.

Town	СТ	MRI	PET/CT	Town	СТ	MRI	PET/CT
Andover	145	35	3	Glastonbury	473	74	11
Ashford	53	14	2	Granby	6	1	0
Avon	2	1	0	Greenwich	2	0	0
Berlin	9	1	0	Griswold	1	0	0
Bethel	0	1	0	Guilford	3	0	0
Bloomfield	52	5	0	Hamden	4	0	0
Bolton	347	89	7	Hampton	4	3	0
Bridgeport	4	0	0	Hartford	200	29	0
Bristol	13	2	1	Hartland	1	0	0
Brookfield	1	0	0	Hebron	135	28	7
Brooklyn	1	0	0	Killingly	4	1	1
Burlington	4	0	0	Lebanon	18	10	1
Canterbury	0	2	3	Litchfield	1	0	0
Canton	1	0	0	Manchester	6,875	1,230	100
Chaplin	10	5	0	Mansfield	86	24	2
Cheshire	1	0	0	Marlborough	35	9	0
Clinton	1	0	0	Meriden	10	2	0
Colchester	48	18	0	Middlefield	0	1	0
Colebrook	1	0	0	Middletown	29	5	4
Columbia	65	23	3	Milford	2	1	1
Coventry	452	96	20	Montville	4	0	0
Cromwell	14	2	2	Naugatuck	3	0	0
Deep River	8	2	0	New Britain	46	7	0
Derby	1	0	0	New Haven	8	1	0
East Granby	12	4	2	New London	1	1	0
East Haddam	4	2	0	Newington	22	4	1
East Hampton	18	3	1	Newtown	1	0	0
East Hartford	2,307	319	27	North Branford	2	0	0
East Haven	2	0	0	North Canaan	1	0	0
East Lyme	4	0	0	Old Saybrook	1	0	0
East Windsor	253	40	6	Orange	2	0	0
Eastford	5	1	0	Plainville	2	0	0
Ellington	236	64	22	Plymouth	1	0	0
Enfield	133	24	9	Pomfret	2	0	0
Essex	2	0	0	Portland	8	1	0
Fairfield	1	0	0	Putnam	4	1	1
Farmington	8	0	0	Rocky Hill	24	9	2
Franklin	0	1	0	Salem	2	2	0

TABLE DUTILIZATION (SCANS) BY TOWN (FY 2014) - CT

Town	СТ	MRI	PET/CT
Shelton	1	0	0
Simsbury	5	0	0
Somers	29	6	4
South Windsor	1,394	167	37
Southington	8	3	0
Stafford/Union	115	23	15
Sterling	2	0	0
Stonington	3	0	0
Stratford	1	0	0
Suffield	14	1	0
Thomaston	0	1	0
Thompson	3	2	0
Tolland	369	62	24
Torrington	0	2	0
Trumbull	2	0	0
Vernon	1,064	189	62
Wallingford	1	0	0
Waterbury	3	0	0
Waterford	0	1	0
West Hartford	38	13	0
West Haven	1	0	0
Westbrook	1	0	0
Wethersfield	38	2	1
Willington	83	15	3
Windham	81	19	0
Windsor	156	20	3
Windsor Locks	76	4	3
Wolcott	5	0	0
Woodstock	4	4	0
Other State	322	42	7
Total	16,060	2,777	398