



## Office of Health Care Access Certificate of Need Application

### Final Decision

**Applicant:** Saint Mary's Health System, Inc. d/b/a  
Saint Mary's Partner's Inc.

**Docket Number:** 05-30580-CON

**Project Title:** Establishment of a Freestanding MRI Imaging Center in  
Waterbury, Connecticut

**Statutory Reference:** Sections 19a-638 and 19a-639,  
Connecticut General Statutes

**Filing Date:** April 12, 2006

**Hearing Date:** May 10, 2006

**Presiding Officer:** Cristine A. Vogel  
Commissioner

**Decision Date:** June 22, 2006

**Staff Assigned:** Steven W. Lazarus

**Default Date:** July 11, 2006

**Project Description:** Saint Mary's Health System, Inc. d/b/a Saint Mary's Partners Inc. ("Applicant") proposes to establish a freestanding MRI imaging center in Waterbury, Connecticut, at a total capital expenditure of \$2,195,550.

**Nature of Proceedings:** On April 12, 2006, the Office of Health Care Access ("OHCA") received the Applicant's proposal to establish a freestanding MRI imaging center, at a total capital expenditure of \$2,195,550. The Applicant is a health care facility

or institution as defined by Section 19a-630 of the Connecticut General Statutes ("C.G.S.").

On September 12, 2005, a notice to the public regarding OHCA's receipt of the Hospital's Letter of Intent to file its CON application was published in *The Waterbury Republican* pursuant to Sections 19a-638 and 19a-639, C.G.S. On February 10, 2006, OHCA received a letter from Greater Waterbury Imaging Center ("GWIC") requesting that a hearing be held on the Applicant's CON application.

Pursuant to Sections 19a-638 and 19a-639, C.G.S., a public hearing regarding the CON application was held on May 10, 2006. On April 19, 2006, the Hospital was notified of the date, time and place of the hearing. On April 21, 2006, a notice to the public was published in *The Waterbury Republican*. Commissioner Cristine A. Vogel served as Presiding Officer. The hearing was conducted as a contested case in accordance with the provisions of the Uniform Administrative Procedure Act (Chapter 54 of the Connecticut General Statutes) and Sections 19a-638 and 19a-639, C.G.S.

By petition dated May 5, 2006, GWIC requested Intervenor status regarding the Applicant's CON application. The Presiding Officer granted GWIC Intervenor status with full-rights of cross-examination.

The Presiding Officer heard testimony from the Applicant's and the Intervenor's witnesses, in rendering this decision and considered the entire record of the proceeding. OHCA's authority to review and approve, modify or deny the CON application is established by Sections 19a-638 and 19a-639, C.G.S. The provisions of these sections, as well as the principles and guidelines set forth in Section 19a-637, C.G.S., were fully considered by OHCA in its review.

## **Findings of Fact**

### **Clear Public Need**

#### **Impact of the Proposal on the Hospital's Current Utilization Statistics**

#### **Proposal's Contribution to the Quality of Health Care Delivery in the Region**

#### **Proposal's Contribution to the Accessibility of Health Care Delivery in the Region**

1. Saint Mary's Health System is the parent corporation of Saint Mary's Hospital ("SMHS") and Saint Mary's Partner's Inc., located at 56 Franklin Street, Waterbury, Connecticut. (*September 6, 2005, Letter of Intent*)
2. Saint Mary's Hospital ("SMH" or "Hospital") is a non-profit acute care hospital located at 56 Franklin Street, Waterbury, Connecticut. (*September 6, 2005, Letter of Intent*)
3. Saint Mary's Partner's Inc. ("SMP") is a wholly owned affiliate company of SMHS and will be the sole member of the proposed freestanding imaging center.

*(April 12, 2006, CON Application, page 4)*

4. SMHS d/b/a SMP ("Applicant") proposes the establishment of a freestanding Magnetic Resonance Imaging ("MRI") imaging center at 1320 West Main Street in Waterbury including the acquisition of a GE 1.5 Tesla Open MRI scanner. *(September 6, 2005, Letter of Intent and April 12, 2006 CON Application, page 20)*
5. SMH's existing MRI scanner is located in its Emergency Department and is known as Naugatuck Valley MRI ("NVMRI"). According to the Applicant, there is no space available to place a second MRI scanner on the SMH campus. *(September 6, 2006, Letter of Intent and March 22, 2006, Completeness Response page 12)*
6. The Applicant's service area for the proposed MRI imaging center includes the following towns:

**Table 1: Primary and Secondary Service Area**

Naugatuck	Middlebury
Prospect	Oxford
Waterbury	Thomaston
Wolcott	Watertown

*(April 12, 2006, CON Application, page 5)*

7. The Applicant based the need for the proposed freestanding MRI imaging center on the current utilization of SMH's existing MRI unit located on the SMH campus and on lack of space to accommodate a second MRI scanner at SMH campus. The Applicant stated that the current MRI is operating seven (7) days per week and is at capacity. *(September 6, 2005, Letter of Intent and May 16, 2006, Applicant's Late File)*
8. The total MRI volume for the past three fiscal years (FYs) at NVMRI is as follows:

**Table 2: SMH Existing Total MRI Volume**

	FY 2003	FY 2004	FY 2005
NVMRI (SMH MRI)	8,533	8,977	8,812

Note: OHCA can not verify this data.  
*(May 16, 2006, Applicant's Late File)*

9. Due to the location of the existing MRI scanner in the Emergency Department, emergency and inpatient cases take priority. According to the Applicant, the proposed MRI scanner would increase access for SMH's outpatient imaging patients by providing them an option for outpatient imaging services. *(May 5, 2006, Prefile Testimony of Robert P. Ritz)*

10. The Applicant stated that the proposed MRI imaging center will provide for the following:
- Increased outpatient imaging access for SMH patients;
  - Improved access to SMH physicians located at the proposed location complex;
  - Decreased volume at the existing MRI scanner at NVMRI; and
  - State-of-the-art MRI technology.
- (April 12, 2006, CON Application, pages 3-7 and May 5, 2006, Prefile Testimony of Chad Wable)*
11. The Applicant stated that the proposed location of the freestanding MRI imaging center will improve access due to its proximity to SMH and its existing patient population and physician presence. *(May 16, 2006, Applicant's Late File)*
12. SMHS has a contract with Naugatuck Valley Radiology Associates ("NVRA") to provide radiology services for SMH and all of its affiliated entities. NVRA will be the exclusive provider of professional radiology services at the proposed MRI imaging center. *(March 22, 2006, Completeness Response page 12)*
13. SMH provides sleep services and physical therapy services adjacent to the proposed MRI imaging center at 1312 West Main Street in Waterbury. Currently, there are several SMH affiliated physicians located at the proposed location, as follows.

**Table 3: Physicians Currently Located at the Proposed Site and their Affiliation**

<b>Provider</b>	<b>Specialty</b>	<b>Affiliation</b>
Franco Galasso, M.D.	Internal Medicine	Scovill Medical Group
Al Germain, M.D.	Optometry Service	No Affiliation
Giuseppe Gutaitoli, M.D.	Internal Medicine	Scovill Medical Group
Fauto Lanao, M.D.	Internal Medicine	Scovill Medical Group
Arlen Lichter, M.D.	Physical Medicine and Rehab	Member of SMH Medical Staff
Andrew Nelson, M.D.	Orthopedic Surgery	Member of SMH Medical Staff
Michelle Nisenbaum, M.D.	Physical Medicine & Rehab	Member of SMH Medical Staff
Saint Mary's Hospital	Occupational Medicine Services including Laboratory Services and Basic X-Ray	Saint Mary's Hospital

*(May 16, 2006, Applicant's Late File)*

14. According to the Applicant, the proposed MRI will enable SMH to meet the growing demand for MRI procedures and improve access to the current MRI facility at SMH. *(May 5, 2006, Prefile Testimony of Chad Wable)*

15. According to the Applicant, the existing NMVRI MRI scanner is not capable of any future technology advancements with its current hardware and software. The proposed MRI scanner is a state-of-the-art piece of equipment which will enable SMHS to provide the highest quality diagnostic MRI service available to SMH patients. *(May 5, 2006, Prefile Testimony of Amy R. Bullen)*
16. The Applicant is projecting the following total MRI volume for the first three FYs of operation at the proposed MRI imaging center as follows:

**Table 4: MRI Volume for the Proposed MRI Imaging Center**

	<b>FY 2006</b>	<b>FY 2007</b>	<b>FY 2008</b>
MRI Procedures	1,465	2,301	3,020

*The Applicant based the projected utilization on a 10%-15% growth in the total MRI market based on data by Clariata. OHCA is unable to verify this data..  
(April 12, 2006, CON Application, page 9)*

**Financial Feasibility of the Proposal and its Impact on the Hospital's Rates and Financial Condition**  
**Impact of the Proposal on the Interests of Consumers of Health Care Services and Payers for Such Services**  
**Consideration of Other Section 19a-637, C.G.S. Principles and Guidelines**

17. The proposal has a proposed capital expenditure \$2,195,550, which consists of:

**Table 5: Total Capital Expenditure for the Proposal**

<b>Project Component</b>	<b>Cost</b>
Medical Equipment (Purchase)	\$1,600,000
Non-Medical Equipment (Purchase)	\$10,000
Construction/Renovation	457,000
Architect Fees & Contingency Costs	128,550
<b>Total Capital Expenditure</b>	<b>\$2,195,550</b>
Capitalized Financing Costs	63,948
<b>Total Capital Cost including Capitalized Financing Costs</b>	<b>\$2,259,498</b>

*(April 12, 2006, CON Application, page 18)*

18. The Applicant plans to fund the proposal through a conventional loan. GE Healthcare Financial Services provided the Applicant with a letter of interest outlining the proposed financing terms. *(April 12, 2006, CON Application, page 20 and May 5, 2006, Prefile Testimony of Daniel J. DeBarba, Jr.)*
19. The Applicant projects incremental losses from operations of the proposed imaging center of \$(187,575) and \$(110,344) for FYs 2006 and 2007. The losses are due to initial start-up costs. The Applicant projects a gain from operations of \$96,369 for FY 2008. *(April 12, 2006, CON Application, pages 23&242)*

20. The projected Payer Mix for the proposed imaging center is as follows:

**Table 6: Proposed Imaging Center Payer Mix**

	Year 1	Year 2	Year 3
Medicare	30.9%	30.9%	30.9%
Medicaid	4.3%	4.3%	4.3%
CHAMPUS and TriCare	0.0%	0.0%	0.0%
<b>Total Government</b>	<b>35.2</b>	<b>35.2</b>	<b>35.2</b>
Commercial Insurers	56.2%	56.2%	56.2%
Uninsured	4.4%	4.4%	4.4%
Worker's Compensation	4.3%	4.3%	4.3%
<b>Total Non-Government Payers</b>	<b>64.9%</b>	<b>64.9%</b>	<b>64.9%</b>
<b>Total Payer Mix</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

*(March 22, 2006, Response to OHCA's Completeness Letter, page 14)*

21. The Applicant's rates are sufficient to cover the proposed capital expenditure and operating costs. *(April 12, 2006, CON Application, page 242 and Response to OHCA's Completeness Letter, Financial Attachment)*
22. There is no State Health Plan in existence at this time. *(April 12, 2006, CON Application, page 4)*
23. The Applicant has adduced evidence that this proposal is consistent with its long-range plan. *(April 12, 2006, CON Application, page 4)*
24. There are no distinguishing or unique characteristics of SMH patient/physician mix related to the proposal. *(April 12, 2006, CON Application, page 148)*
25. SMH has undertaken energy conservation, group purchasing, the application of technology programs, product standardization, pharmacy standardization, utilization and inventory control activities in an effort to improve productivity and contain costs. *(April 12, 2006, CON Application, page 13)*
26. The proposal will not result in changes to SMH's teaching and research responsibilities because the proposal does not affect patient care directly. *(April 12, 2006, CON Application, page 14)*
27. There are no distinguishing characteristics of SMH's patient/physician mix. *(April 12, 2006, CON Application, page 14)*
28. The Applicant has sufficient technical, financial and managerial competence to provide efficient and adequate services to the public. *(April 12, 2006, CON Application, page 12 and Appendix 5D)*

## Rationale

The Office of Health Care Access ("OHCA") approaches community and regional need for Certificate of Need ("CON") proposals on a case by case basis. CON applications do not lend themselves to general applicability due to a variety of factors, which may affect any given proposal; e.g. the characteristics of the population to be served, the nature of an existing service, the specific type of service proposed to be offered, the current utilization of the service and the financial feasibility of the proposal.

Saint Mary's Health System ("SMHS") d/b/a Saint Mary's Partner's ("SMP") (also known collectively as "Applicant") is proposing the establishment of a freestanding MRI imaging center at 1320 West Main Street in Waterbury, Connecticut and the acquisition of a GE 1.5 Tesla Open Short-Bore MRI unit. Saint Mary's Hospital ("SMH") currently operates one (1) MRI unit at SMH, seven (7) day per week, which is currently at capacity performing approximately 9,000 MRI scans annually.

The Applicant based the need for the proposed freestanding MRI center on current utilization of the existing MRI scanner at NVRMRI. There is no additional physical space on SMH campus to locate the proposed MRI unit. The Applicant reported the existing MRI unit's volume as 8,533, 8,977 and 8,812 for FYs 2003, 2004 and 2005. The proposed freestanding MRI imaging center will alleviate capacity constraints at the existing MRI located at SMH. The proposed imaging center will offer an alternative to SMH's outpatients requiring MRI imaging services within close proximity to affiliated SMH physicians and other outpatient services offered by SMH. The Applicant's proposal for the establishment of a freestanding imaging center and an additional MRI unit to be located at 1320 West Main Street in Waterbury will improve the access and quality of imaging services for the patients of SMH.

The total capital expenditure associated with the proposed project is \$2,195,550. The proposed project will be funded through a conventional loan. The Applicant projects an incremental loss from operations for the first two years of operation as a result of implementation of the proposal of \$(187,575) and \$(110,334). The Applicant projects an incremental gain from operations of \$96,369 for the third year of operation. Although OHCA can not draw any conclusions, the volumes and financial projections appear to be reasonable and achievable. Therefore, OHCA finds that the CON proposal is financially feasible and cost effective.

Based on the foregoing Findings and Rationale, the Certificate of Need application of Saint Mary's Health System d/b/a Saint Mary's Partners for the establishment of a freestanding imaging center and the acquisition of an MRI unit, at a total capital expenditure of \$2,195,550, is hereby GRANTED.

## Order

Saint Mary's Health System d/b/a Saint Mary's Partners ("Applicant") is hereby authorized to establish a freestanding imaging center at 1320 West Main Street in Waterbury and for the acquisition of an MRI unit at capital expenditure of \$2,195,550, is subject to the following conditions:

1. This authorization shall expire on December 31, 2007. Should the Applicant's imaging center not be completed by that date, the Applicant must seek further approval from OHCA to complete the project beyond that date.
2. The Applicant will notify OHCA in writing of the commencement of the proposed freestanding MRI imaging center no later than December 31, 2007.
3. The Applicant shall not exceed the approved total capital expenditure of \$2,195,550. In the event that the Applicant learns of potential cost increases or expects that the final project costs will exceed those approved, the Applicant shall file with OHCA a request for approval of the revised CON budget.

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

By Order of the  
Office of Health Care Access

June 22, 2006

Signed by Cristine A. Vogel  
Commissioner

CAV:swl