



## Office Of Health Care Access Certificate of Need Application

### Final Decision

**Applicants:** Day Kimball Hospital and Alliance Imaging, Inc

**Docket Number:** 05-30634-CON

**Project Title:** Acquisition of a Positron Emission Tomography-Computed Tomography Scanner

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

**Filing Date:** June 13, 2006

**Hearing Date:** July 13, 2006

**Presiding Officer:** Cristine A. Vogel

**Decision Date:** August 30, 2006

**Default Date:** September 11, 2006

**Staff Assigned:** Steven W. Lazarus

**Project Description:** Day Kimball Hospital (“Hospital”) and Alliance Imaging Inc. (“Vendor”) (collectively known as “Applicants”) propose acquisition of a mobile Positron Emission Tomography-Computed Tomography (“PET-CT”) scanner to replace its existing mobile PET scanner, at a total capital expenditure of \$2,124,625.

**Nature of Proceedings:** On June 13, 2006, the Office of Health Care Access (“OHCA”) received the Certificate of Need (“CON”) application from the Applicants seeking authorization for the acquisition of a PET-CT scanner to replace its existing mobile PET scanner, at a total capital expenditure of \$2,124,625. The Hospital is a care facility or institution as defined under Section 19a-630 of the Connecticut General Statutes (“C.G.S.”).

A notice to the public concerning OHCA's receipt of the Applicants' Letter of Intent to file its CON application was published in the *Norwich Bulletin* on February 8, 2006, pursuant to Sections 19a-638 and 19a-639, C.G.S. OHCA received no responses from the public concerning the Applicants' Letter of Intent.

Pursuant to Sections 19a-638 and 19a-639, C.G.S., a public hearing regarding the CON application was held on July 13, 2006. On June 21, 2006, the Applicants were notified of the date, time and place of the hearing. A notice to the public was published in the *Norwich Bulletin* on June 22, 2006. Commissioner Cristine A. Vogel served as Presiding Officer for this case. The public 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.

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 Applicants' 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. Day Kimball Hospital ("Hospital") is a non-profit acute care hospital located at 320 Pomfret Street, Putnam, Connecticut. (*January 26, 2006, CON Determination, Report No.: 05-30634*)
2. Alliance Imaging, Inc. ("Vendor") is a private vendor of PET-CT scanning equipment for this proposal located at 1400 Wilbur Cross Highway, Berlin, Connecticut. (*January 26, 2006, CON Determination, Report No.: 05-30634*)
3. The Hospital and the Vendor (collectively known as "Applicants") began providing PET scanning services at the Hospital in 2004 under Certificate of Need ("CON") authorization Docket No.: 03-30173. (*January 7, 2004, Certificate of Need, Final Decision*)
4. The Applicants propose the acquisition of a Positron Emission Tomography-Computed Tomography Scanner ("PET-CT") scanner to replace its existing mobile PET scanner. (*April 14, 2006, Initial Certificate of Need Application, page 5*)

5. The total service area (“TSA”) for the Hospital is listed in the following table:

**Table 1: Hospital’s TSA by Town**

<b>Primary Service Area by Town</b>	
Primary Service Area (“PSA”)	Woodstock, Thompson, Eastford, Pomfret, Putnam, Killingly and Brooklyn
Secondary Service Area (“SSA”)	Chaplin, Hampton, Canterbury, Ashford, Plainfield and Sterling

*(April 14, 2006, Initial Certificate of Need Application, page 5)*

6. The cancer program at Day Kimball Hospital is a hospital based cancer program that offers chemotherapy services but no radiation therapy services. The Hospital provides cancer services through board-certified physicians who are contracted through U-Mass Memorial Medical Center. *(July 13, 2006, Public Hearing Testimony of Richard Fournier)*
7. According to the Applicants, the current population served by the existing PET scanner will receive PET-CT studies where attenuation, correction, and fusion imaging have proven to be beneficial in increasing the specificity and sensitivity of PET imaging. *(April 14, 2006, Initial Certificate of Need Application, page 5)*
8. According to the Applicants, there are no providers of PET-CT services in the Hospital’s TSA, and the nearest PET-CT scanning service providers to the Hospital are from outside the State of Connecticut, as follows:

**Table 2: Nearest Provider of PET-CT Scanning Services**

**Providers of PET-CT Scanning Service**

Milford Whitinsville Regional Hospital (Milford, MA)  
St. Vincent’s Hospital (Worcester, MA)  
U-Mass Medical Center (Worcester, MA)  
Landmark Medical Center (Woonsocket, RI)

*(April 14, 2006, Initial Certificate of Need Application, page 5 and June 13, 2006, Responses to OHCA’s Completeness Letter, page 3)*

9. The Applicants based the need for the acquisition of the proposed PET-CT scanner on the following:
- Increasing volumes in PET scans performed;
  - Enhancing specificity and sensitivity of PET imaging; and
  - Improved access for physicians and patients of the Hospital.
- (June 13, 2006, Certificate of Need Application, pages 5-9)*

10. The Applicants reported the Hospital's historical PET scanning volumes as follows:

**Table 3: Hospital's Historical PET Scanning Volume**

	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006*</b>
Total PET Volume	70	118	144
Scans Per Day	2.69	4.54	6.30

Note: FY 2006 is the number of PET scans from October 1, 2005 through January, 2006, Annualized.

The data reported by the Applicants could not be verified by OHCA.

(April 14, 2006, Initial Certificate of Need Application, page 6 and Responses to OHCA's Completeness Letter, page 3)

11. The hours of operation of the existing PET service is one day every other week, 7:00 am to 5:00 pm. The same schedule will be maintained for the proposed service. (June 13, 2006, Certificate of Need Application, page 8 and the Applicants Public Hearing Testimony)

12. The Hospital's existing PET service has an average waiting time of two (2) weeks. According to the Applicants, in the past 12 months, 3% of the patients were sent out to other facilities due to the existing schedule of the PET scanner, which operates ever other Saturday. Due the clinical condition and urgency, and the Applicants' staging for treatment on these individuals, it was essential that these patients were sent out immediately for examination so their treatment could be started as soon as possible. (June 13, 2006, Certificate of Need Application, page 7)

13. The proposed PET-CT scanner will provide the following patient care improvements:

- Improved image quality;
- Improved accuracy in disease staging, surgical planning, and radiation treatment planning;
- Reduced number of invasive procedures such as biopsies and unnecessary surgeries; and
- Patient comfort and decreased in motion artifacts due to faster scanning times. (July 10, 2006, Prefile Testimony of Michael Culley)

14. The Applicants' projected PET-CT volume for the first three years of operation is as follows:

**Table 4: Projected PET-CT volume**

	<b>FY 2007</b>	<b>FY 2008</b>	<b>FY 2009</b>
PET-CT	168	175	182
Scans per day	6.50	6.75	7.0

Notes: \*Year to date PET Scans

The Applicant testified that the "break even" number of scans per day for the Hospital for the proposed service will be 4.0 scans per day.

The growth in PET-CT is based on the Hospital's historical volume.

The growing acceptance of additional PET-CT applications in the medical community for the staging and restaging of different types of cancer was not included in the projections.

The data reported by the Applicants could not be verified by OHCA.

*(June 13, 2006, Certificate of Need Application, pages 9&19 and July 10, 2006, Prefile Testimony of Michael Culley)*

15. The current PET-CT service is in the accreditation process through the American College of Radiology ("ACR"). Once approval is obtained, ACR will be contacted for adjustments for the new technology. Further, The Applicants will meet all guidelines outlined by the Society of Nuclear Medicine for Tumor Imaging. *(June 13, 2006, Certificate of Need Application, page 11)*

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

16. The total proposed capital expenditure for the proposal is as follows:

**Table 5: Total Capital Expenditure**

PET-CT Scanner (Purchase)	\$1,725,000
Mobile Trailer	368,435
Ancillary Laboratory Equipment	31,190
<b>Total Capital Expenditure</b>	<b>\$2,124,625</b>

*(June 13, 2006, Response to OHCA's Completeness Letter, page 4)*

17. The proposed PET-CT scanner will be purchased by the Vendor, and the Hospital will utilize the proposed PET-CT scanner on a contractual fee-for-service basis. *(July 13, 2006, Applicant Testimony at the Public Hearing)*
18. The Hospital proposes to fund the proposal through equity contribution, specifically through operations. *(June 13, 2006, Certificate of Need Application, page 16)*

19. The Hospital is projecting an incremental gain from operations as a result of this proposal as follows:

**Table 6: Projected Increases in Operating Revenue**

	<b>FY 2007</b>	<b>FY 2008</b>	<b>FY 2009</b>
Hospital	\$124,482	\$204,961	\$220,727

*(July 26, 2006, Applicant Late File)*

20. There is no State Health Plan in existence at this time. *(June 13, 2006, Certificate of Need Application, page 5)*
21. The Applicants have adduced evidence that the proposal is consistent with the Applicants long-range plan. *(June 13, 2006, Certificate of Need Application, page 5)*
22. The Applicants have improved productivity and contained costs through energy conservation, group purchasing and through application of new technology. *(June 13, 2006, Certificate of Need Application, page 12)*
23. The proposal will not result in any changes to the Applicants' teaching and research responsibilities. *(June 13, 2006, Certificate of Need Application, page 12)*
24. The proposal will not result in any change to patient/physician mix of the Applicants. *(June 13, 2006, Certificate of Need Application, page 13)*
25. The Applicants have sufficient technical, financial and managerial competence and expertise to provide efficient and adequate service to the public. *(June 13, 2006, Certificate of Need Application, page 11 and Attachment 5)*
26. The Applicants' rates are sufficient to cover the proposed capital expenditure and operating costs associated with the proposal. *(June 13, 2006, Certificate of Need Application, pages 21-22 & 559 )*

## 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 the existing services, the specific types of services proposed to be offered, the current utilization of services and the financial feasibility of the proposal.

Alliance Imaging Inc. (“Vendor”) began providing mobile Positron Emission Tomography (“PET”) scanning service to Day Kimball Hospital (“Hospital”) in 2004 one day every other week. The PET scanning volumes at the Hospital have increased annually since 2004. The Hospital and the Vendor (collectively known as “Applicants”) are proposing the acquisition of a mobile Positron Emission Tomography-Computed Tomography (“PET-CT”) scanner. The Applicant’s proposal will improve access to care by accommodating more scans and by enhancing the specificity and sensitivity of PET imaging for the Hospital’s cancer patients.

The Applicant reported the historical volume for its existing PET scanner as 70, 118 and 144(annualized) scans for FYs 2004, 2005 and 2006, respectively. The proposed PET-CT scanner will improve image quality and accuracy in disease staging, surgical planning, and radiation treatment planning; reduce the number of invasive procedures such as biopsies and unnecessary surgeries; improve patient comfort; and decrease in motion artifacts due to faster scanning times. There are no providers of PET-CT services within the Hospital’s service area; the closest providers are located in Massachusetts. The Applicant’s proposal for the acquisition of the PET-CT scanner will improve both the accessibility and quality of PET-CT services for the patients of the Hospital.

The total capital expenditure associated with the proposed project is \$2,124,625. The Vendor will own the PET-CT scanner, and the Hospital will utilize the proposed scanner on a fee-for-service basis. The Hospital plans to fund the proposal through its equity, specifically through operations. The Hospital projects an incremental gain from operations for the first three years of operation as a result of implementation of the proposal of \$124,482, \$204,961 and \$220,727. 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 of Fact and Rationale, the Certificate of Need request of Day Kimball Hospital and Alliance Imaging, Inc. for the acquisition of a PET-CT scanner, at a total capital expenditure of \$2,124,625, is hereby GRANTED.

## Order

Day Kimball Hospital (“Hospital”) and Alliance Imaging, Inc. (“Vendor”) (collectively known as “Applicants”) are hereby authorized to acquire a Positron Emission Tomography-Computed Tomography Scanner (“PET-CT”) to replace the existing mobile PET scanner, at a total capital expenditure of \$2,124,625, subject to the following conditions:

1. This authorization shall expire on December 31, 2007. Should operation of the PET-CT scanning service not be completed by that date, the Applicants must seek further approval from OHCA to complete the project beyond that date.
2. The Applicants shall not exceed the approved total capital expenditure of \$2,124,625. In the event that the Applicants learn of potential capital expenditure increases or expects that final project expenditures will exceed those approved, the Applicants shall file with OHCA a request for approval of the revised CON project budget.
3. The Applicants shall file with OHCA utilization statistics for this mobile PET-CT scanner service on a quarterly basis for two full years of operation. Each quarterly filing shall be submitted to OHCA by no later than one month following the end of each reporting period (e.g., January, April, July and October). The initial report shall list the date on which the mobile PET-CT scanner commenced operation. The quarterly reports shall be filed by Hospital and include the following information:
  - Total number of scans scheduled for the mobile PET-CT scanner;
  - Total number of scans performed by the mobile PET-CT scanner;
  - Average patient waiting time from the scheduling of the scan to the performance of the scan;
  - Number of scans by patient zip code;
  - Hours and days of operation for each week and in total; and
  - Number of scans by Medicare diagnostic code.
4. This authorization requires that use of the Applicants’ existing PET scanner at the Hospital be discontinued upon implementation of the PET-CT scanning service.

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

August 30, 2006

Signed by Cristine A. Vogel  
Commissioner