



Office Of Health Care Access Certificate of Need Application

Final Decision

Applicant: Open MRI of Southern Connecticut
d/b/a University Standing Open MRI

Docket Number: 02-1003

Project Title: Replacement of Existing Magnetic Resonance
Imaging Unit

Statutory Reference: Section 19a-639 of the
Connecticut General Statutes

Filing Date: January 31, 2003

Hearing: Waived

Decision Date: March 31, 2003

Default Date: May 1, 2003

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Project Description: Open MRI of Southern Connecticut, LLC, d/b/a University Standing Open MRI (“Applicant”) proposes to replace its existing open Magnetic Resonance Imaging (“MRI”) unit, at a total capital expenditure of \$1,700,000.

Nature of Proceedings: On January 31, 2003, the Office of Health Care Access (“OHCA”) received a Certificate of Need (“CON”) application from the Applicant to replace its existing MRI unit, at a total capital expenditure of \$1,700,000. The Applicant is

a health care facility or institution as defined by Section 19a-630 of the Connecticut General Statutes (“C.G.S.”)

The Applicant requested a waiver of public hearing for the CON application pursuant to Section 19a-643-45 of OHCA’s Regulations, and claimed that the CON application is non-substantive as defined in Section 19a-643-95(3) of OHCA’s Regulations. On February 17, 2003, the Applicant was informed that the CON application was eligible for consideration of waiver of public hearing, and a notice to the public was published in the *New Haven Register*. OHCA received no comments from the public concerning the Applicant’s request for waiver of public hearing during the public comment period, and therefore on March 4, 2003, OHCA granted the Applicant’s request for waiver of public hearing.

OHCA’s authority to review and approve, modify or deny this proposal is established by Section 19a-639, C.G.S. The provisions of this section, 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

Each finding of fact included in this Final Decision has been taken from the CON application and related CON filings. A source reference is included with each finding of fact. All CON applicants must attest to the accuracy and correctness of the information submitted to OHCA as part of the CON application process

Clear Public Need

Impact of the Proposal on the Applicant’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. Open MRI of Southern Connecticut, LLC, d/b/a/ University Standing Open MRI (“Applicant”), located at 2 Church Street, New Haven, Connecticut is a diagnostic imaging center that provides magnetic resonance imaging (“MRI”) services. (*July 5, 2002, Letter of Intent, page 1*)
2. The Applicant seeks to replace its MRI equipment with a Fonar Indomitable™ Stand-Up MRI, a whole-body open MRI system with a 0.6 Tesla field strength. (*September 23, 2002, CON Application, page 2*)
3. CON Determination Report 96-B4a, issued on January 30, 1997, stated that CON authorization was not required to acquire a Toshiba MRI unit because the capital cost did not exceed the statutory threshold of \$400,000. (*January 30, 1997, CON Determination Report Number 96-B4a*)

4. The Applicant began providing MRI services in 1997 using a Toshiba 0.6 Tesla Open MRI unit. *(September 23, 2002, CON Application, page 12)*
5. In late 2001, the Applicant stopped scanning patients due to the inability of the existing MRI unit to produce diagnostic quality images. *(September 23, 2002, Cover Letter to the CON Application)*
6. The Applicant performed MRI scans of the spine, musculoskeletal, brain, neck and extremities. The Toshiba MRI could not perform studies that would allow evaluation of the abdomen, pelvis, or chest. It was also not able to do magnetic resonance angiography. *(September 23, 2002, Cover Letter to the CON Application)*
7. The replacement of the Applicant's existing and outdated, MRI unit will enable the Applicant to use state-of-the-art equipment. The replacement MRI is a new technology high field open MRI unit with the unique ability to scan patients in the standing position. The patient can walk up to the magnet, stand and look directly out of the magnet at the scanner room wall with an unobstructed view during the scan, and then walk away. *(September 23, 2002, CON Application, page 4)*
8. The replacement MRI is a multi-positional system that provides an unrestricted range of motion for flexion and extension studies. It can scan spines and joints in the weight-bearing state or in the conventional recumbent position. *(September 23, 2002, CON Application, page 24)*
9. Towns in the south central Connecticut area are included in the Applicant's service area. These towns are New Haven, West Haven, East Haven, Milford, Stratford, Fairfield, Bridgeport, Derby, Shelton, Ansonia, Seymour, Hamden, Naugatuck, Waterbury, Meriden, Middletown, Oxford, Beacon Falls, Cheshire, Wallingford, Branford, North Branford, Guilford, Clinton, Madison, Killingworth, Westbrook, Durham, Middlebury, and Southbury. *(September 23, 2002, Cover Letter to the CON Application)*
10. There are currently two other freestanding open MRI providers near the Applicant's proposed site, Prince Street Open MRI and Milford Hospital Open MRI. Both providers utilize a Hitachi 0.3 Tesla Open MRI unit. *(November 25, 2002, Completeness Response, page 2)*
11. Additional Open MRI providers in the area are Bridgeport MRI Center, Waterbury Hospital, Connecticut Open MRI in Fairfield, and Middlesex Hospital. *(November 25, 2002, Completeness Response, page 2)*
12. The MRI service at Yale-New Haven Hospital has a general backlog of 5 to 6 weeks on a regular basis. *(September 23, 2002, CON Application, page 8)*

13. The Applicant projects its referral base will be the same as it was since 1997. In addition, patients who need a gravity dependent standing MRI examination will be served. *(November 25, 2002, Completeness Response, page 2)*
14. During the first nine months Fiscal Year (“FY”) 2001, the Applicant performed 712 scans; 1,465, 1540, and 1,230 scans were performed in, FY 1998, 1999, and 2000, respectively. Scanning was suspended during FY 2002. *(September 23, 2002, Cover Letter to the CON Application)*
15. The Applicant based the number of projected scans on the anticipated, and significant, increase in MRI demand over the next 5 to 10 years. The estimates are based on a market analysis from the Yale-New Haven Hospital and the Yale University School of Medicine. The market analysis estimates that there will be a 22.1% increase in MRI volumes between 2000 and 2005. The analysis also anticipates an overall increase of 48% during the ten-year period of 2000-2010. *(September 23, 2002, Cover Letter to the CON Application)*
16. The projections for scan volumes of the Applicant also include a factor for the increased demand that the new standing MRI will create. *(September 23, 2002, Cover Letter to the CON Application)*
17. Projected annual scans for FYs 2003, 2004 and 2005 are 2,000, 2,200, and 2,400 scans respectively. *(November 25, Completeness Response, page 7)*
18. Diagnostic Imaging of Milford, P.C., has stated its interest in providing professional services for the Applicant. *(January 31, 2003, Completeness Response, page 1)*
19. The Applicant has stated that it will follow the practice guidelines of the American College of Radiology (“ACR”) for MRI imaging and fulfill the ACR requirements for accreditation. *(November 25, Completeness Response, page 2)*

Financial Feasibility and Cost Effectiveness of the Proposal and its Impact on the Applicant’s Rates and Financial Condition

20. The Applicant’s proposal consists of the following capital expenditures:

Description	Amount
Fixed Equipment (Purchase)	\$1,500,000
Construction/Renovation	200,000
Total Capital Cost	\$1,700,000

(September 23, 2002, CON Application, page 5)

21. The expenditure will be financed using a capitalized lease with a term of 72 months with the following payment schedule:

Payment Number	Amount
1-3	\$ 0
4-12	\$18,000
13-72	\$37,100

(September 23, 2002, CON application, pages 5 and 19)

22. The Toshiba MRI was removed by a relocation company at no charge prior to September, 2002; the unit had no residual value. *(September 23, 2002, Cover Letter to CON Application)*
23. The Applicant projects the following incremental revenue from operations, operating expenses, and earnings from operations associated with the CON proposal:

Description	FY 2003	FY 2004	FY 2005
Incremental Revenue from Operations	\$1,393,000	\$1,533,000	\$1,672,000
Incremental Operating Expenses	1,023,000	1,060,000	1,097,000
Incremental Earnings from Operations	\$370,000	\$473,000	\$575,000

(November 25, 2002, Completeness Response, page 11)

24. The Applicant's current and projected payer mix for the first three years of operation with the new replacement equipment is as follows:

Payer Source	Current	Year 1	Year 2	Year 3
Medicare/Medicaid	10	15	15	20
Commercial Insurers	60	50	45	35
Self-Pay	0	0	0	0
Workers Compensation	30	35	40	45
Uncompensated Care	0	0	0	0
Total Payer Mix	100%	100%	100%	100%

(September 23, 2002, CON Application, page 12)

25. The Applicant states that patients that cannot afford an examination will be considered on a case by case basis. Uninsured and underinsured patients who can afford to pay in cash will be allowed to pay at the Medicaid rate. *(November 25, Completeness Response, page 7)*
26. The Applicant's proposal includes rates for MRI services that are sufficient to cover the proposed capital expenditure, projected operating expenses, and administrative costs. *(November 25, Completeness Response, page 7)*

Consideration of Other Section 19a-637, C.G.S. Principles and Guidelines

The following findings are made pursuant to the principles and guidelines set forth in Section 19a-637, C.G.S.:

27. There is no State Health Plan in existence at this time. *(September 23, 2002, CON Application, page 2)*
28. The Applicant's proposal is consistent with its long-range plan. *(September 23, 2002, CON Application, page 2)*
29. The Applicant's proposal will have no effect on its current teaching and research responsibilities. *(September 23, 2002, CON Application, page 4)*
30. The new MRI unit will have the distinguishing characteristic of having the ability to scan patients in the standing position. *(September 23, 2002, CON Application, page 4)*
31. The proposal will improve productivity as the existing MRI unit has been unusable. *(September 23, 2002, CON Application, page 4)*
32. The Applicant has sufficient technical and managerial competence to provide efficient and adequate service to the public. *(February 27, 2002, CON application, Response to Question 12D)*

Rationale

Open MRI of Southern Connecticut, LLC, d/b/a University Standing Open MRI (“Applicant”), located in New Haven, Connecticut, proposes to replace its Magnetic Resonance Imaging (“MRI”) equipment with a Fonar 0.6 Tesla Indomitable™ Stand-Up Open MRI. The total capital expenditure associated with this proposal is \$1,700,000.

The Applicant has provided MRI services to patients from the central Connecticut area. The Applicant performed 712 scans in the first nine months of FY 2001 at which time the scanning service was discontinued. With the new MRI the Applicant projects annual scans to be 2,000, 2,200 and 2,400 in Fiscal Years 2003, 2004, and 2005, respectively. It is anticipated that the demand from MRI will continue to increase through 2010. The Applicant anticipates that the increasing utilization will be in part a result of the unique characteristic of the replacement MRI unit. The replacement MRI is a multi-positional system that provides an unrestricted range of motion for flexion and extension studies. It can scan spines and joints in the weight-bearing state or in the conventional recumbent position. OHCA finds that the CON proposal will improve the quality of the MRI services provided by the Applicant and provide a unique service to the patients in the area.

The CON proposal’s total capital expenditure is \$1,700,000. The Applicant projects incremental earnings from operations of \$370,000, \$473,000 and \$575,000 for the Fiscal Years 2003, 2004, and 2005, respectively. These projections appear reasonable and achievable. OHCA concludes that the CON proposal is financially feasible and cost-effective.

Based upon the foregoing Findings and Rationale, the Certificate of Need application of Open MRI of Southern Connecticut, LLC, d/b/a University Standing Open MRI to replace its existing open Magnetic Resonance Imaging unit at a total capital cost of \$1,700, 000 is hereby GRANTED.

Order

Open MRI of Southern Connecticut, LLC, d/b/a University Standing Open MRI (“Applicant”) is hereby authorized to replace its existing open Magnetic Resonance Imaging (“MRI”) unit, at a total capital expenditure of \$1,700, 000 subject to the following conditions:

1. This authorization shall expire on April 1, 2004. Should the Applicant’s MRI replacement project not be completed by that date, the Applicant must seek further approval from OHCA to complete the project beyond that date.
2. The Applicant shall not exceed a capital cost of \$1,700,000. In the event that the Applicant learns of potential cost increases or expects that final project costs will exceed those approved, the Applicant shall file with OHCA a request for approval of the revised project budget.
3. Prior to initiation of services, the Applicant shall submit documentation to OHCA that any physician engaged by the Applicant to provide professional services in relation to the Applicant’s diagnostic imaging service has obtained a license from the State of Connecticut to provide such services.

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

Date signed:
March 31, 2003

Signed by:
Mary M. Heffernan
Commissioner

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