



## Office Of Health Care Access Certificate of Need Application

### Final Decision

**Applicant:** Madison Radiology, P.C.

**Docket Number:** 02-557

**Project Title:** Replacement of CT Scanner located in Madison Office

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

**Filing Date:** December 18, 2002

**Hearing:** Waived

**Decision Date:** January 10, 2003

**Default Date:** March 18, 2003

**Staff Assigned:** Harold M. Oberg  
Sandra E. Czunas

**Project Description:** Madison Radiology, P.C. ("Applicant") proposes to replace an existing CT scanner that is located at its physician practice office in Madison with new upgraded CT scanning equipment, at a total capital cost of \$800,000.

**Nature of Proceedings:** On December 18, 2002, the Office of Health Care Access ("OHCA") received a Certificate of Need ("CON") application from Madison Radiology, P.C. to replace an existing CT scanner that is located at its physician practice office in Madison with new upgraded CT scanning equipment, at a total capital cost of \$800,000. 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 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 December 19, 2002, 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 hearing during the public comment period, and therefore on January 7, 2003, OHCA granted the Applicant's request for waiver of hearing.

OHCA's authority to review and approve, modify or deny the CON application 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, or from other external sources of information. 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. Madison Radiology, P.C. ("Applicant") is a diagnostic imaging center that provides diagnostic imaging services in all modalities of radiology at its physician practice office located in Madison. *(September 17, 2002, Letter of Intent, Pages 1 and 4)*
2. The Applicant proposes to replace an existing CT scanner with a new Philips Mx8000 CT scanner at its office located at 2 B-C Samson Rock Drive in Madison, at a total capital cost of \$800,000. *(November 19, 2002 CON Application, Cover Letter and Pages 1 and 2)*
3. The Applicant's existing CT scanner does not provide the level of CT scanning services requested by many of the Applicant's referring physicians. A Certificate of Need was not required at the time of the CT scanner's installation because it was acquired at a cost less than \$400,000. *(September 17, 2002 Letter of Intent, Project Description)*
4. The proposed new Philips Mx8000 CT scanner is a high-speed, multi-slice, CT imaging system that will provide a significant increase in imaging ability and quality and will significantly decrease scan times and the radiation dose to patients. The proposed new CT scanner will allow the performance of new additional CT scanning studies including cardiac screening, functional CT imaging, 3-D imaging and complete vascular imaging studies. *(November 19, 2002 CON Application, Page 2)*

5. Currently, there is a scheduling backlog of approximately five days at the Applicant's Madison office. Emergency or STAT appointments are accommodated on a daily basis as requested by referring physicians. *(November 19, 2002 CON Application, Page 3)*
6. The Applicant's actual CT scan utilization volume, which has decreased due to the loss of market share to other providers, is as follows: *(November 19, 2002 CON Application, Exhibit 2, Pages 38 and 39)*

**Table 1: Applicant's Actual CT Scans for FY 1999, FY 2000 and FY 2001**

Description	FY 1999	FY 2000	FY 2001
Actual CT Scans	2,936	2,723	2,336

7. The Applicant projects 3,788 CT scans for FY 2003 based on an estimate of 15 CT scans per day that is due to faster scanning times and new additional CT applications. The Applicant's 5,348 CT scans projected for FY 2004 is based upon an estimate of 20 to 24 CT scans per day obtained from a sales representative. The Applicant's projected CT scan utilization volume associated with the CON proposal based on 260 operating days per year is as follows: *(December 13, 2002 Completeness Responses, Page 1 and December 23, 2002 Supplemental Completeness Responses, Page 1)*

**Table 2: Applicant's Projected CT Scans for FY 2002, FY 2003 and FY 2004**

Description	FY 2002	FY 2003	FY 2004
Projected CT Scans	2,488	3,788	5,348
Projected CT Scans per Day	10	15	21

8. The Applicant's diagnostic imaging center in Madison operates on Monday, Wednesday and Friday from 8:30 a.m. to 5:00 p.m., Tuesday and Thursday from 8:30 a.m. to 7:00 p.m., and Saturday from 8:00 a.m. to 12:00 p.m. *(November 19, 2002 CON Application, Page 3)*

**Financial Feasibility and Cost Effectiveness of the Proposal and its Impact on the Applicant's Rates and Financial Condition**  
**Impact of the Proposal on the Interests of Consumers of Health Care Services and the Payers for Such Services**

9. The Applicant's CON proposal includes the following capital cost components: *(November 19, 2002 CON Application, Page 8)*

**Table 3: Applicant's Total Proposed Capital Cost**

Description	Amount
Construction/Renovations	\$ 50,000
<b>Total Capital Expenditure</b>	<b>\$ 50,000</b>
CT Scanner (Lease)	\$ 750,000
<b>Total Capital Cost</b>	<b>\$ 800,000</b>

10. The CON proposal's total capital cost of \$800,000 will be financed with an equity contribution of \$50,000 from the Applicant's operating funds and through equipment lease financing of \$750,000, which represents the fair market value of the leased new Philips Mx8000 CT scanner. *(December 18, 2002 Supplemental Completeness Responses, Page 2)*

11. The Applicant's proposed equipment lease agreement with Philips Medical Capital, a program of Philips Medical Financial Services, Inc., includes a term of five years, a 5.101% interest rate and sixty lease payments of \$14,128 per month. *(November 19, 2002 CON Application, Page 9 and Exhibit 9, Pages 111 - 115)*
12. The Applicant projects incremental revenue from operations, total operating expense and revenue over/(under) expense associated with the CON proposal as follows: *(December 23, 2002 Supplemental Completeness Responses, Page 1)*

**Table 4: Applicant's Financial Projections for FY 2002, FY 2003 and FY 2004**

Description	FY 2002	FY 2003	FY 2004
Incremental Revenue from Operations	\$ 0	\$ 845,000	\$1,140,000
Incremental Total Operating Expense	0	298,616	470,662
<b>Incremental Revenue Over/(Under) Expense</b>	<b>\$ 0</b>	<b>\$546,384</b>	<b>\$ 669,338</b>

13. The Applicant's projected payer mix during the first three years of operation of the new replacement CT scanner is as follows: *(November 19, 2002 CON Application, Page 10)*

**Table 5: Applicant's Three-Year Projected Payer Mix**

Payer Mix	Year 1	Year 2	Year 3
Medicare	25%	25%	25%
Medicaid	0%	0%	0%
TriCare	0%	0%	0%
<b>Total Government</b>	<b>25%</b>	<b>25%</b>	<b>25%</b>
Commercial Insurers	69%	69%	69%
Self-Pay	4%	4%	4%
Workers Compensation	2%	2%	2%
<b>Total Non-Government</b>	<b>75%</b>	<b>75%</b>	<b>75%</b>
Uncompensated Care	0%	0%	0%
<b>Total Payer Mix</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

## 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.:

14. There is no State Health Plan in existence at this time. *(November 19, 2002 CON Application, Page 3)*
15. The Applicant has adduced evidence that the proposal is consistent with the Applicant's long-range plan. *(November 19, 2002 CON Application, Page 3)*
16. The Applicant has no teaching or research responsibilities that would be affected as a result of the proposal. *(November 19, 2002 CON Application, Page 6)*
17. There are no distinguishing or unique characteristics of the Applicant's patient/physician mix related to the proposal. *(November 19, 2002 CON Application, Page 6)*

18. The Applicant has implemented various activities to improve productivity and contain costs that involve energy conservation, reengineering, group purchasing and the application of technology. *(November 19, 2002 CON Application, Page 6)*
19. The Applicant has sufficient technical, financial and managerial competence and expertise to provide efficient and adequate service to the public. *(November 19, 2002 CON Application, Page 5 and Exhibit 4, Pages 45 - 51)*
20. The Applicant's rates are sufficient to cover the proposed total capital cost and incremental operating expenses. *(December 13, 2002 Completeness Responses, Pages 3 and 8)*

## Rationale

Madison Radiology, P.C. (“Applicant”) proposes to replace an existing CT scanner currently operating at its office located at 2 B-C Samson Rock Drive in Madison with new upgraded CT scanning equipment, at a total capital cost of \$800,000. The Applicant proposes to lease and operate a new Phillips Mx8000 CT scanner, which would represent a significant upgrade from the quality and capability of the CT scanner currently operated by the Applicant at this office location.

The proposed replacement of the Applicant’s existing CT scanner with a new high-speed, multi-slice CT imaging system will enable the Applicant to utilize new technology in providing CT scanning services to patients resulting in faster scan times, increased imaging ability and quality and decreased radiation doses to patients. Furthermore, the proposed new CT scanner possesses the capability of performing new additional CT scanning studies including cardiac screening, functional CT imaging, 3-D imaging and complete vascular imaging studies. Therefore, OHCA finds that the CON proposal will improve both the quality and accessibility of the Applicant’s current CT scanning services.

The CON proposal’s total capital cost of \$800,000 will be funded by an equity contribution of \$50,000 from the Applicant’s operating funds and through equipment lease financing of \$750,000, which represents the fair market value of the new Philips Mx8000 CT scanner to be leased. The Applicant projects 2,488, 3,788 and 5,348 CT scans for FY 2002, FY 2003 and FY 2004, respectively including approximately two years of activity subsequent to the projected January 2003 installation date for the proposed new replacement CT scanner. The Applicant also projects incremental revenue over expense of \$ 0, \$546,384 and \$669,338 for FY 2002, FY 2003 and FY 2004, respectively.

The Applicant’s FY 2003 volume projection of 3,788 CT scans based on an estimated 15 CT scans per day and the financial projection upon which it is based, are reasonable and achievable due to the proposed new equipment’s faster scanning times and capability of providing new additional CT applications. However, the Applicant’s FY 2004 volume projection of 5,348 CT scans and the financial projection upon which it is based, are overstated and unrealistic due to their being based on an estimate of 20 to 24 CT scans per day obtained from a sales representative. OHCA finds that the Applicant’s CT scan projection for FY 2003 and the financial projection upon which it is based are reasonable and achievable for both FY 2003 and FY 2004. Therefore, based upon a more realistic CT scan volume projection and financial projection for FY 2004, OHCA finds that the CON proposal is both financially feasible and cost effective.

Based upon the foregoing Findings and Rationale, the Certificate of Need application of Madison Radiology, P.C. to replace an existing CT scanner at its office located at 2 B-C Samson Rock Drive in Madison with new upgraded CT scanning equipment, at a total capital cost of \$800,000, is hereby GRANTED.

## **Order**

Madison Radiology, P.C. (“Applicant”) is hereby authorized to replace an existing CT scanner at its office located at 2 B-C Samson Rock Drive in Madison with new upgraded CT scanning equipment, at a total capital cost of \$800,000, subject to the following conditions:

1. This authorization shall expire on January 10, 2005. Should the Applicant’s CT scanning equipment 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 the approved capital cost of \$800,000. 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 CON project budget.
3. The Applicant will provide evidence to OHCA of the disposition of its existing CT scanner by no later than six months after the new replacement CT scanner has become operational.

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:  
January 10, 2003

Signed by:  
Mary M. Heffernan  
Commissioner

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