



Office Of Health Care Access Certificate of Need Application

Final Decision

Applicant: Yale-New Haven Hospital and
Yale New Haven Ambulatory Services Corporation

Docket Number: 02-586

Project Title: Acquisition of a Stand-Up Magnetic Resonance
Imaging Unit

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

Filing Date: May 22, 2003

Hearing: Waived

Decision Date: July 14, 2003

Default Date: August 20, 2003

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Project Description: Yale-New Haven Hospital and Yale New Haven Ambulatory Services Corporation (“Applicants”) propose to acquire a Stand-Up Magnetic Resonance Imaging (“MRI”) unit, at a total capital expenditure of \$1,800,000.

Nature of Proceedings: On May 22, 2003, the Office of Health Care Access (“OHCA”) received a Certificate of Need (“CON”) application from the Applicants to acquire a Stand-Up MRI unit, at a total capital expenditure of \$1,800,000. The Applicants

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

The Applicants 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 June 5, 2003, the Applicants were 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 Applicants’ request for waiver of public hearing during the public comment period, and therefore on June 24, 2003, OHCA granted the Applicants’ 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. Yale-New Haven Hospital (“YNHH”) is an acute care hospital, located at 20 York Street, in New Haven, Connecticut. It is the primary teaching hospital for the Yale School of Medicine and a major community hospital for residents of the greater New Haven area. *(December 16, 2002, Letter of Intent, page 7 and 21)*
2. Yale New Haven Ambulatory Services Corporation (“YNHASC”) owns and operates Temple Ambulatory Surgery Center, Temple Women’s Ambulatory Center, Temple Imaging Center and Yale New Haven Refractive Eye Laser Center LLC in New Haven. YNHASC is a wholly owned subsidiary of Yale New Haven Network Corporation and is a corporate affiliate of Yale New Haven Hospital. *(December 16, 2002, Letter of Intent, page 7 and Yale New Haven Hospital, FY 2001 Twelve Months Actual Filing, Legal Chart of Corporate Structure)*

3. The Applicants seek to acquire a Fonar Indomitable™ Stand-Up Magnetic Resonance Imaging System (“MRI”) with a 0.6 Tesla field strength. *(December 16, 2002, Letter of Intent, page 7)*
4. The proposed MRI unit is a whole-body open MRI that enables positional applications such as weight bearing studies. It accommodates an unrestricted range of motion for flexion, extension, lateral bending and rotation studies of the cervical and lumbar spine. *(December 16, 2002, Letter of Intent, page 7)*
5. Patient acceptance of MRI scanning is expected to increase since patients can walk into the unit, be scanned standing, sitting and in any conventional recumbent position and then walk out. *(December 16, 2002, Letter of Intent, page 8)*
6. Obese patients are imaged with alternative modalities, such as Computed Tomography. Claustrophobic patients are sedated and frequently have a poor experience in spite of the medication. Typically claustrophobic patients refuse a follow-up MRI. None of these patients have been referred by the Applicants to other providers. *(May 22, 2003, Completeness Letter, page 1)*
7. The current population served by the Applicants and the target population to be served by the proposal include residents of Ansonia, Bethany, Branford, Cheshire, Clinton, Deep River, Derby, East Haven, Essex, Guilford, Hamden, Killingworth, Madison, Meriden, Milford, New Haven, North Branford, North Haven, Old Saybrook, Orange, Oxford, Seymour, Wallingford, Westbrook, West Haven and Woodbridge. *(December 16, 2002, Letter of Intent, page 7)*
8. There are three MRI scanners at YNHH. Each unit operates Monday through Friday from 7:00 AM until 11:30 PM, and on Saturday from 7:00 AM until 4:00 PM. Two of the units are also in operation on Sunday from 7:00 AM until 4:00 PM. *(April 14, 2003, CON Application, page 7)*
9. YNHASC has two MRI scanners, one fixed-base unit in New Haven and one mobile unit in Guilford. The New Haven MRI operates Monday through Friday from 7:00 AM until 10:00 PM and on Saturday and Sunday on an as needed basis. The mobile unit operates Monday through Friday from 8:00 AM until 5:00 PM. *(April 14, 2003, CON Application, page 7)*
10. The existing demand for timely and convenient MRI exams makes patient scheduling a constant challenge. At YNHH the waiting time for an MRI exam ranges from one to 21 days. At YNHASC the average wait time is two to 10 days. *(April 14, 2003, CON Application, page 9)*

11. The MRI exam volume from FY 2000 through FY 2002 is presented in the following table:

Table 1: MRI Exams FY 2000 through FY 2002

	FY 2000	FY 2001	FY 2002	FY 2000 to FY 2002
Exams				
YNHH	11,620	12,194	14,790	-
YNHASC	6,875	6,106	6,627	-
Total	18,495	18,300	21,417	-
Percent (%) Growth				
YNHH	-	4.9	21.3	27.3
YNHASC	-	-11.2	8.5	-3.6
Total	-	-1.1	17.0	15.8

(April 14, 2003, CON Application, page 7)

12. From FY 2000 through FY 2002, the MRI volume for YNHH increased primarily due to the addition of the third MRI unit. YNHASC's MRI volume experienced a decline during the same period as the result of the addition of the third unit at YNHH and increased competition in the primary service area. On a combined basis, however, MRI volume grew by 15.8% from FY 2000 to FY 2002. *(April 14, 2003, CON Application, page 7)*

13. Utilization of the existing MRI units of YNHH and YNHASC are at, or near, capacity. The MRI utilization for FY 2002 is presented in the following table. It is assumed that each MRI exam requires one hour to complete.

Table 2: FY 2002 MRI Utilization for YNHH and YNHASC

	YNHH	YNHASC	Combined
Annual Available Hours	15,210	5,980	21,190
Annual Exam Hours	14,790	6,627	21,417
Utilization	97.2%	110.8%	101.1%

(April 14, 2003, CON Application, page 8)

14. MRI volume is projected to continue to grow due to the aging of the population, recent new uses for MRI, and continued technological advancement. *(April 14, 2003, CON Application, page 8)*.

15. Projected annual scans for FYs 2003, 2004 and 2005 are 0, 1,500, and 2,000 scans respectively. *(April 14, 2003, CON Application, page 251)*

16. YNHH and YNHASC will each own 50% of the proposed MRI unit. *(April 14, 2003, CON Application, page 9)*

17. The proposed MRI unit will be located at 40 Temple Street in New Haven, Connecticut. *(April 14, 2003, CON Application, page 11)*

18. The MRI unit will be operated at YNHASC and operate Monday through Friday from 7:30 a.m. until 6:00 p.m. and from 7:30 a.m. until 12:00 p.m. on Saturday and Sunday, if appropriate. *(April 14, 2003, CON Application, page 9)*
19. It is essential that the hospital-based MRI units have excess capacity to handle the high volume of emergency and inpatient cases. *(April 14, 2003, CON Application, page 8)*
20. Inpatients of YNHH requiring an open MRI exam will be transported to YNHASC by ambulance or by handicapped van. *(May 22, 2003, Completeness Letter, page 1)*
21. The Applicants plan to meet the practice guidelines of the American College of Radiology (“ACR”) for MRI imaging (“ACR”) and fulfill the ACR requirements for accreditation. *(April 14, 2003, CON Application, page 13)*

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

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

Table 3: Proposed Capital Expenditures

Description	Amount
Fixed Equipment (Purchase)	\$1,500,000
Delivery & Rigging	50,000
Construction/Renovation	250,000
Total Capital Cost	\$1,800,000

(May 22, 2003, Completeness Responses, page 2)

23. YNHH will provide \$720,000 from funded depreciation and \$180,000 from its operating funds for the proposal; YNHASC will provide an equity contribution of \$900,000. *(April 14, 2003, CON Application, page 19)*
24. YNHH projects the following incremental revenue from operations, operating expenses, and earnings from operations associated with the CON proposal:

Table 4: Projected Incremental Earnings

Description	FY 2003	FY 2004	FY 2005
Incremental Revenue from Operations	\$0	0	0
Incremental Operating Expenses	0	0	0
Incremental Non-Operating Revenue*	0	\$103,362	\$141,000
Incremental Earnings from Operations	\$0	\$103,362	\$141,221

*50% transfer of Revenue from YNHASC

(April 14, 2003, CON Application, page 249)

25. YNHASC projects the following incremental revenue from operations, operating expenses, and earnings from operations associated with the CON proposal:

Table 4: Projected Incremental Earnings

Description	FY 2003	FY 2004	FY 2005
Incremental Revenue from Operations	\$0	\$1,175,563	\$1,567,417
Incremental Operating Expenses	0	968,839	1,284,975
Gain from Operations		206,724	282,442
Non-operating Revenue*	0	(103,362)	(141,221)
Incremental Earnings from Operations	\$0	\$103,362	\$141,221

*50% transfer to YNH

(April 14, 2003, CON Application, page 251)

26. The Applicants' proposal includes rates for MRI services that are sufficient to cover the proposed capital expenditure, projected operating expenses, and administrative costs. *(April 14, 2003, CON Application, pages 249 and 251)*

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. *(April 14, 2003, CON Application, page 6)*
28. The Applicants' proposal is consistent with their long-range plans. *(April 14, 2003, CON Application, page 6)*
29. The Applicants' proposal will have no effect on current teaching and research responsibilities. *(April 14, 2003, CON Application, page 15)*
30. There are no characteristics of the patient/physician mix that make the Applicants' facility unique. *(April 14, 2003, CON Application, page 15)*
31. The Applicants have improved productivity and contained costs through energy conservation, reengineering, group purchasing and the application of technology. *(April 14, 2003, CON Application, page 15)*
32. The Applicants have sufficient technical and managerial competence to provide efficient and adequate service to the public. *(April 14, 2003, CON Application, Appendix 6)*

Rationale

Yale-New Haven Hospital (“YNHH”) and Yale New Haven Ambulatory Surgery Center (“YNHASC”) propose to acquire a Fonar 0.6 Tesla Indomitable™ Stand-Up Open MRI (“MRI”) unit. The total capital expenditure associated with this proposal is \$1,800,000. YNHH and YNHASC will each own 50% of the proposed MRI unit. The proposed MRI unit will be located at 40 Temple Street, New Haven, Connecticut and operated by YNHASC. The proposed MRI unit is a whole-body open MRI that enables positional applications such as weight bearing studies. It accommodates an unrestricted range of motion for flexion, extension, lateral bending and rotation studies of the cervical and lumbar spine. Inpatients of YNHH requiring an open MRI exam will be transported to YNHASC by ambulance or by handicapped van. The proposed service will operate Monday through Friday and on weekends as appropriate.

The existing demand from timely and convenient MRI exams makes patient scheduling for the Applicants a constant challenge. At YNHH the waiting time for an MRI exam ranges from one to 21 days. At YNHASC the average wait time is two to 10 days. Utilization of the existing MRI units of YNHH and YNHASC are at, or near, capacity. The combined MRI utilization for the Applicants for FY 2002 was 101%, assuming that each MRI exam requires one hour to complete. MRI volume is projected to continue to grow due to the aging of the population, recent new uses for MRI, and continued technological advancement. Patient acceptance of the proposed open stand-up MRI unit is expected to add to the increase in volume. Projected annual scans to be performed for FYs 2004 and 2005 are 1,500, and 2,000 scans, respectively. OHCA finds that the CON proposal will improve the quality of the Applicants’ MRI services by introducing the open stand-up MRI unit. The proposal will increase the available MRI capacity for the Applicants. Therefore, the proposal will enhance the quality of patient care and efficiencies in operation.

The CON proposal’s total capital expenditure is \$1,800,000. Each applicant projects incremental earnings from operations of \$103,000 and \$141,000 for the Fiscal Years 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 Yale-New Haven Hospital and Yale New Haven Ambulatory Services Corporation to acquire a Stand-Up Magnetic Resonance Imaging unit at a total capital cost of \$1,800, 000 is hereby GRANTED.

Order

Yale-New Haven Hospital and Yale New Haven Ambulatory Services Corporation are hereby authorized to acquire a Stand-Up Magnetic Resonance Imaging (“MRI”) unit, at a total capital expenditure of \$1,800, 000 subject to the following conditions:

1. This authorization shall expire on July 18, 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 \$1,800,000. 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 project 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

Date signed:
July 14, 2003

Signed by:
Mary M. Heffernan
Commissioner

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