



Office Of Health Care Access Certificate of Need Application

Final Decision

Applicant: Hartford Hospital

Docket Number: 03-30015-CON

Project Title: Replacement of Two Existing MRI Units

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

Filing Date: June 9, 2003

Hearing: Waived

Decision Date: July 17, 2003

Default Date: September 7, 2003

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Project Description: Hartford Hospital (“Hospital”) proposes to replace two existing MRI units that were installed in 1987 and 1995, with two 1.5 tesla GE Medical Systems MRI units, at a total capital cost of \$5,501,825.

Nature of Proceedings: On June 9, 2003, the Office of Health Care Access (“OHCA”) received a Certificate of Need (“CON”) application from Hartford Hospital for the replacement of two existing MRI units that were installed in 1987 and 1995, with two 1.5 tesla GE Medical Systems MRI units, at a total capital cost of \$5,501,825. The Hospital is a health care facility or institution as defined by Section 19a-630 of the Connecticut General Statutes (“C.G.S.”).

The Hospital 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 June 23, 2003, the Hospital 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 *Hartford*

Courant. OHCA received no comments from the public concerning the Hospital's request for waiver of hearing during the public comment period, and therefore on July 9, 2003, OHCA granted the Hospital'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. 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. Hartford Hospital ("Hospital") is an acute care general hospital located at 80 Seymour Street and 400 Washington Street in Hartford, Connecticut. The Hospital's total licensed bed capacity of 867 beds and bassinets includes 819 licensed beds and 48 licensed bassinets. *(June 9, 2003 CON Application, Page 53)*
2. The Hospital proposes to replace two existing MRI units that were installed in 1987 and 1995, with two 1.5 tesla MRI units, at a total capital cost of \$5,501,825. The two MRI units to be replaced are currently located in the Jefferson Building on the Hospital's main campus. *(June 9, 2003 CON Application, Cover Letter and Pages 1 and 2)*
3. The two existing MRI units are limited in their capabilities by their operating software, which will not be enhanced by the manufacturer. In addition, the two existing MRI units are characterized by an original "long-bore" design, which is uncomfortable for many patients especially those who are vulnerable to claustrophobia. The Hospital proposes that the two existing MRI units be replaced by two GE Medical Systems 1.5 tesla MRI units that will permit the Hospital to utilize equipment with the latest in MRI imaging capabilities. *(January 10, 2003 Letter of Intent, Project Description)*
4. The need to replace the two existing MRI units is based primarily on the age of the units that have been in use for eight and fourteen years, respectively. In recent years the incidence of service calls has been high and has resulted in much unwanted down time for the two MRI scanners *(June 9, 2003 CON Application, Page 2)*
5. The Hospital stated that although there has been no major failure of either MRI unit, such an occurrence would create an unfavorable situation in which the Hospital would be unable to render timely care to its patients in need of MRI scans, due to the severe

scheduling backlogs that would result. The age of the MRI units makes the growing risk of equipment failure significant, and the prompt replacement of both MRI units is considered to be prudent at this time. *(June 9, 2003 CON Application, Page 2)*

6. The proposed MRI technology provides the following benefits: *(June 9, 2003 CON Application, Page 3)*
 - a. There is a marked improvement in the image quality of the MRI scans, which results in improved patient care by way of more timely and accurate diagnoses.
 - b. The short-bore design allows for easier monitoring and airway management of the patients during long, intense cardiac and pediatric studies. It is much more difficult to monitor cardiac and pediatric patients inside a long-bore MRI unit than inside a unit with a shorter design.
 - c. The faster operating software reduces the time that a child must spend under anesthesia, thereby lowering the risk to the patient and the cost associated with the procedure.
7. The Hospital's actual MRI scan volume was 9,813 scans in FY 2000, 11,135 scans in FY 2001 and 12,027 scans in FY 2002.
8. The Hospital's projected MRI scan volume for FY 2003, FY 2004 and FY 2005 is as follows: *(June 9, 2003 CON Application, Page 90)*

Table 1: Hospital's Projected MRI Scan Volume for FY 2003, FY 2004 and FY 2005

Description	FY 2003	FY 2004	FY 2005
Projected MRI Scans – With the CON Proposal	11,856	12,220	12,586
Projected MRI Scans – Without the CON Proposal	11,856	11,856	11,856
Projected MRI Scans – Incremental to the Proposal	0	364	730

9. The Hospital anticipates that by the third full month of operation, each replacement MRI unit will perform one additional scan per day for a maximum of 365 additional scans per year for each MRI unit. *(June 9, 2003 CON Application, Page 5)*
10. The Hospital's MRI services are currently provided on Monday through Friday, 24 hours each day, and on Saturday and Sunday from 7:00 a.m. to 11:00 p.m. The Hospital will not change these days and hours of operation as a result of the implementation of the CON proposal. *(June 9, 2003 CON Application, Page 4)*

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

11. The Hospital's total capital cost of \$5,501,825 for the CON proposal includes the following capital cost components: *(June 9, 2003 CON Application, Pages 8 and 9)*

Table 2: Hospital's Total Capital Cost for the CON Proposal

Description	Amount
Medical Equipment (Purchase)	\$ 96,090
Non-Medical Equipment (Purchase)	76,771
Construction and Renovations	894,438
Other Project Costs	309,961
Total Capital Expenditure	\$1,377,260
Fair Market Value of Two New MRI Units (Lease)	4,124,565
Total Capital Cost	\$5,501,825

12. The CON proposal's total capital cost of \$5,501,825 will be financed by an equity contribution of \$1,127,260 from the Hospital's funded depreciation, short-term debt financing of \$250,000, and equipment lease financing of \$4,124,565 representing the estimated fair market value of the two replacement GE Medical Systems 1.5 tesla MRI units to be leased. *(June 9, 2003 CON Application, Page 10 and June 20, 2003 Supplemental CON Application Filing, Page 1)*
13. The Hospital's proposed two equipment lease agreements with GE Healthcare Financial Services include lease terms of 6 years for both MRI units, interest rates of 0.82% and 1.60%, and 72 monthly lease payments of \$32,732.84 and \$26,551.00. *(June 9, 2003 CON Application, Pages 84 through 88)*
14. The Hospital projects incremental revenue from operations, total operating expense and revenue over/(under) expense associated with the CON proposal as follows: *(June 9, 2003 CON Application, Page 90)*

Table 3: Hospital's Incremental Financial Projections for FY 2003, FY 2004 and FY 2005

Description	FY 2003	FY 2004	FY 2005
Incremental Revenue from Operations	\$ 0	\$349,440	\$700,800
Incremental Total Operating Expense	17,091	261,256	476,490
Incremental Revenue Over/(Under) Expense	\$(17,091)	\$ 88,184	\$ 224,310

15. The Hospital anticipates that the first replacement MRI unit will commence operation on October 1, 2003, and that the second replacement MRI unit will commence operation on July 1, 2004. *(June 9, 2003 CON Application, Page 91)*
16. A small incremental loss is projected in FY 2003 because increased mobile MRI usage will be needed in September to cover the loss of one MRI unit during project implementation. Once each MRI unit reaches the anticipated increase of one scan per day over existing levels, the CON proposal will generate an incremental gain from operations. *(June 9, 2003 CON Application, Page 12)*

17. The Hospital's projected payer mix during the first three years of implementation and operation of the CON proposal is as follows: *(June 9, 2003 CON Application, Pages 10 and 11)*

Table 4: Hospital's Three-Year Projected Payer Mix

Payer Mix	Year 1	Year 2	Year 3
Medicare	47.0%	47.0%	47.0%
Medicaid	9.8%	9.8%	9.8%
TriCare	0.1%	0.1%	0.1%
Total Government	56.9%	56.9%	56.9%
Commercial Insurers	34.7%	34.7%	34.7%
Self-Pay	5.3%	5.3%	5.3%
Workers Compensation	0.0%	0.0%	0.0%
Total Non-Government	40.0%	40.0%	40.0%
Uncompensated Care	3.1%	3.1%	3.1%
Total Payer Mix	100.0%	100.0%	100.0%

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.:

18. There is no State Health Plan in existence at this time. *(June 9, 2003 CON Application, Page 2)*
19. The Hospital has adduced evidence that the proposal is consistent with the Hospital's long-range plan. *(June 9, 2003 CON Application, Page 2)*
20. The Hospital has improved productivity and contained costs by undertaking energy conservation and group purchasing activities. *(June 9, 2003 CON Application, Page 7)*
21. The proposal will not result in any change to the Hospital's teaching and research responsibilities. *(June 9, 2003, CON Application, Page 8)*
22. There are no distinguishing or unique characteristics of the Hospital's patient/physician mix related to the proposal. *(June 9, 2003 CON Application, Page 8)*
23. The Hospital has sufficient technical, financial and managerial competence and expertise to provide efficient and adequate service to the public. *(June 9, 2003 CON Application, Pages 19 through 51)*

Rationale

Hartford Hospital (“Hospital”) proposes to replace two existing MRI units that were installed in 1987 and 1995, with two 1.5 tesla MRI units, at a total capital cost of \$5,501,825. The two MRI units to be replaced are currently located in the Jefferson Building on the Hospital’s main campus and have been in service for many years. Replacing them would improve the quality and timeliness of the Hospital’s MRI services.

The Hospital’s two existing MRI units are limited in their capabilities by their operating software, which will not be enhanced by the manufacturer. In addition, the two existing MRI units are characterized by an original “long-bore” design, which is uncomfortable for many patients especially those who are vulnerable to claustrophobia. The Hospital proposes that the two existing MRI units be replaced by two GE Medical Systems 1.5 tesla MRI units that will permit the Hospital to utilize equipment with the latest in MRI imaging capabilities.

The proposed MRI technology will provide a marked improvement in the image quality of the scans resulting in improved patient care from more timely and accurate diagnoses. The short-bore design allows for easier monitoring and airway management of patients during long, intense cardiac and pediatric studies, since it is much more difficult to monitor cardiac and pediatric patients inside a long-bore MRI unit than inside a shorter unit. The faster operating software reduces the time that a child must spend under anesthesia, thereby lowering the risk to the patient and the cost associated with the procedure. Based on the foregoing reasons, OHCA finds that the CON proposal will improve both the quality and accessibility of the Hospital’s MRI services.

The proposal’s total capital cost of \$5,501,825 will be funded by an equity contribution of \$1,127,260 from the Hospital’s funded depreciation, short-term debt financing of \$250,000, and equipment lease financing of \$4,124,565 representing the estimated fair market value of the two replacement GE Medical Systems 1.5 tesla MRI units to be leased. The Hospital projects incremental MRI scans of 0 in FY 2003, 364 in FY 2004 and 730 in FY 2005 resulting from the CON proposal. In addition, the Hospital projects incremental revenue under expense of \$(17,091) in FY 2003 and incremental revenue over expense of \$88,184 in FY 2004 and \$224,310 in FY 2005 due to the CON proposal.

Due to the timing of the implementation of the CON proposal, there will be a small incremental loss in FY 2003 but once each replacement MRI unit reaches the anticipated increase of one scan per day over existing levels, the proposal will generate an incremental gain from operations. The Hospital’s volume projections and the financial projections upon which they are based appear to be reasonable and achievable. Therefore, 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 Hartford Hospital to replace two existing MRI units that were installed in 1987 and 1995, with two 1.5 tesla GE Medical Systems MRI units, at a total capital cost of \$5,501,825, is hereby GRANTED.

Order

Hartford Hospital ("Hospital") is hereby authorized to replace two existing MRI units that were installed in 1987 and 1995, with two 1.5 tesla GE Medical Systems MRI units, at a total capital cost of \$5,501,825, subject to the following conditions:

1. This authorization shall expire on July 31, 2005. Should the Hospital's MRI unit replacement project not be completed by that date, the Hospital must seek further approval from OHCA to complete the project beyond that date.
2. The Hospital shall not exceed the approved capital cost of \$5,501,825. In the event that the Hospital learns of potential cost increases or expects that final project costs will exceed those approved, the Hospital shall file with OHCA a request for approval of the revised CON project budget.
3. This authorization requires the removal of the Hospital's two existing MRI units for certain disposition, such as sale or salvage, outside of and unrelated to the Hospital's various service provider locations. Furthermore, the Hospital will provide evidence to OHCA of the disposition of each of the two MRI units to be replaced by no later than six months after the two replacement MRI units have 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

Mary M. Heffernan
Commissioner

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