



Office of Health Care Access Certificate of Need Application

Final Decision

Applicant: Essent Healthcare of Connecticut, Inc. d/b/a Sharon Hospital

Docket Number: 03-30085-WVR

Project Title: Request to Waive CON Requirements for the Replacement of an Existing MRI Unit

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

Filing Date: June 12, 2003

Hearing: Waived

Decision Date: June 24, 2003

Staff: Harold M. Oberg

Project Description: Essent Healthcare of Connecticut, Inc. d/b/a Sharon Hospital (“Applicant”) requests a waiver of Certificate of Need (“CON”) requirements for replacement equipment in order to replace its existing MRI unit with a GE Medical Systems 1.5 tesla Hispeed MRI unit, at a total capital cost of \$1,756,898. The Applicant will assume the current lease between Essent Healthcare, Inc. and General Electric Capital Corporation for the GE Medical Systems 1.5 tesla Hispeed MRI unit and the AK Specialty van to be leased for the project.

Nature of Proceedings: On June 12, 2003, the Office of Health Care Access (“OHCA”) received the waiver of CON requirements request for replacement equipment from Essent Healthcare of Connecticut, Inc. d/b/a Sharon Hospital in order to replace its existing MRI unit with a GE Medical Systems 1.5 tesla Hispeed MRI unit, at a total capital cost of \$1,756,898. The Applicant is a health care facility or institution as defined in Section 19a-630 of the Connecticut General Statutes (“C.G.S.”).

OHCA's authority to review and approve, modify or deny the requested waiver of CON requirements for replacement equipment is established by Section 19a-639c, 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 waiver of CON requirements request forms and related waiver request filings. A source reference is included with each finding of fact. All applicants requesting a waiver of CON requirements for replacement equipment must attest to the accuracy and correctness of the information submitted to OHCA as part of the waiver of CON requirements process.

1. On March 4, 1993, Sharon Hospital, New Milford Hospital, Charlotte Hungerford Hospital, Winsted Memorial Hospital and Mobile Technology, Inc. received Certificate of Need ("CON") authorization from the Commission on Hospitals and Health Care ("Commission") under Docket Number 92-547 to acquire a mobile MRI unit and trailer to provide MRI services, at a total capital cost of \$2,425,381. *(March 4, 1993 Commission on Hospitals and Health Care Agreed Settlement, Docket Number 92-547)*
2. On October 25, 1996, Winsted Memorial Hospital ceased operations and surrendered its license to the Department of Public Health, and on March 12, 1998, Alliance Imaging, Inc. acquired Mobile Technology, Inc. *(May 29, 2003 Letter of Intent Waiver Form 2030, Page 8)*
3. On June 5, 1998, Sharon Hospital, New Milford Hospital, Charlotte Hungerford Hospital and Alliance Imaging, Inc., collectively known as the Northwest Connecticut Mobile MRI Consortium ("Consortium"), received authorization from the Office of Health Care Access ("OHCA") under Docket Number 97-590Rb to increase the number of days the mobile MRI unit could operate at Sharon Hospital and to operate an additional used Siemens 1.0 tesla mobile MRI unit to be leased by Sharon Hospital from Alliance Imaging, Inc. on a fee per scan basis. *(June 5, 1998 Office of Health Care Access Agreed Settlement, Docket Number 97-590Rb)*
4. On June 21, 1999, Charlotte Hungerford Hospital, Day Kimball Hospital and Alliance Imaging, Inc. received CON authorization from OHCA under Docket Number 99-517 to acquire a mobile MRI unit under a service agreement with Alliance Imaging, Inc., at a total capital expenditure of \$2,651,748. *(June 21, 1999 Office of Health Care Access Final Decision, Docket Number 99-517)*
5. On June 21, 1999, Charlotte Hungerford Hospital's involvement with the Consortium was terminated and the remaining Consortium members (Sharon Hospital, New Milford Hospital and Alliance Imaging, Inc.) received CON authorization from OHCA under Docket Number 99-519 to acquire a replacement mobile MRI unit, at a total capital cost of \$2,651,748. *(June 21, 1999 Office of Health Care Access Final Decision, Docket Number 99-519)*

6. On December 23, 2002, Charlotte Hungerford Hospital and Torrington Radiologists, P.C. received CON authorization from OHCA under Docket Number 02-1512 to acquire a mobile MRI unit, at a total capital cost of \$1,998,410. *(December 23, 2002 Office of Health Care Access Final Decision, Docket Number 02-1512)*
7. OHCA subsequently terminated New Milford Hospital's involvement with the Consortium and as a result, Sharon Hospital is now the only remaining member of the Consortium. *(May 29, 2003 Letter of Intent Waiver Form 2030, Page 8)*
8. The Applicant is requesting a waiver of CON requirements in order to replace the existing MRI unit acquired by the Consortium based upon the CON authorization granted by OHCA under Docket Number 99-519, with a replacement MRI unit, at a total capital cost of \$1,756,898. *(May 29, 2003 Letter of Intent Waiver Form 2030, Page 8)*
9. The Applicant will assume the current lease between Essent Healthcare, Inc. and General Electric Capital Corporation for the GE Medical Systems 1.5 tesla Hispeed MRI unit and the AK Specialty van to be leased for the project. Currently this lease is assigned to Essent Healthcare, Inc.'s wholly owned subsidiary, Essent Healthcare of Massachusetts, Inc. d/b/a Merrimack Valley Hospital. *(May 29, 2003 Letter of Intent Waiver Form 2030, Page 8)*
10. The Applicant is currently under contract with Alliance Imaging, Inc. to provide mobile MRI scanning services. The Applicant has sent a notice of termination regarding this contract to Alliance Imaging, Inc. that will become effective one hundred and twenty (120) days after receiving approval from OHCA to relocate the replacement MRI unit from Merrimack Valley Hospital in Haverhill, Massachusetts to Sharon Hospital. *(May 29, 2003 Letter of Intent Waiver Form 2030, Page 8)*
11. The total capital cost for the replacement MRI unit is \$1,756,898 representing the estimated fair market value of the GE Medical Systems 1.5 tesla MRI unit and the AK Specialty van to be leased for the project as well as the cost of building a structure to cover the replacement MRI unit, so that it will remain as a fixed MRI unit at Sharon Hospital. *(May 29, 2003 Letter of Intent Waiver Form 2030, Page 3)*
12. The total capital cost of \$1,756,898 for the replacement MRI unit is below the \$2,000,000 threshold for determining eligibility for waiver of CON requirements for replacement equipment pursuant to Section 19a-639c, C.G.S. *(May 29, 2003 Letter of Intent Waiver Form 2030, Page 5)*
13. The total capital cost of \$1,756,898 for the replacement MRI unit is less than the original cost of the mobile MRI unit authorized by OHCA under Docket Number 99-919, plus an increase of ten percent for each twelve-month period that has elapsed since June 21, 1999. *(May 29, 2003 Letter of Intent Waiver Form 2030, Page 5)*
14. The Applicant will fund the total capital cost of \$1,756,898 for the replacement MRI unit through an equity contribution of \$63,600 from the Applicant's operating funds and through an equipment lease of \$1,693,298 representing the estimated fair market value of the equipment leased. *(May 29, 2003 Letter of Intent Waiver Form 2030, Page 3)*

15. The Applicant intends to begin operating the replacement MRI unit 120 days after receiving approval from OHCA for the project. *(May 29, 2003 Letter of Intent Waiver Form 2030, Page 8)*
16. The Applicant's replacement MRI unit will serve Sharon Hospital's existing patient population with no change from the same payer sources. *(May 29, 2003 Letter of Intent Waiver Form 2030, Page 9)*

Rationale

Essent Healthcare of Connecticut, Inc. d/b/a Sharon Hospital ("Applicant") is requesting a waiver of Certificate of Need ("CON") requirements for replacement equipment in order to replace its existing MRI unit with a GE Medical Systems 1.5 tesla Hispeed MRI unit, at a total capital cost of \$1,756,898. Sharon Hospital, New Milford Hospital and Alliance Imaging, Inc., the remaining members of the Northwest Connecticut Mobile MRI Consortium ("Consortium"), received CON authorization from the Office of Health Care Access ("OHCA") on June 21, 1999 under Docket Number 99-519 to acquire a replacement mobile MRI unit, at a total capital cost of \$2,651,748. Sharon Hospital is now the only remaining member of the Consortium.

The Applicant will assume the current lease between Essent Healthcare, Inc. and General Electric Capital Corporation for the GE Medical Systems 1.5 tesla Hispeed MRI unit and the AK Specialty van to be leased for the project, which is currently assigned to Essent Healthcare, Inc.'s wholly owned subsidiary, Essent Healthcare of Massachusetts, Inc. d/b/a Merrimack Valley Hospital. The Applicant is currently under contract with Alliance Imaging, Inc. to provide mobile MRI scanning services. The Applicant has sent a notice of termination regarding this contract to Alliance Imaging, Inc. that will become effective one hundred and twenty (120) days after receiving approval from OHCA to relocate the replacement MRI unit from Merrimack Valley Hospital to Sharon Hospital.

The total capital cost for the replacement MRI unit is \$1,756,898 representing the estimated fair market value of the GE Medical Systems 1.5 tesla MRI unit and the AK Specialty van to be leased as well as the cost of building a structure to cover the replacement MRI unit, so that it will remain as a fixed MRI unit. The total capital cost for the replacement MRI unit is below the \$2,000,000 threshold for determining eligibility for waiver of CON requirements for replacement equipment pursuant to Section 19a-639c of the Connecticut General Statutes ("C.G.S."). Furthermore, the total capital cost for the replacement MRI unit is less than the original cost of the mobile MRI unit authorized by OHCA under Docket Number 99-919, plus an increase of ten percent for each twelve-month period that has elapsed since it was authorized on June 21, 1999.

Based on the foregoing Findings and Rationale, OHCA has determined that Essent Healthcare of Connecticut, Inc. d/b/a Sharon Hospital's request for a waiver of CON requirements for replacement equipment in order to replace its existing MRI unit with a GE Medical Systems 1.5 tesla Hispeed MRI unit, at a total capital cost of \$1,756,898, meets the requirements for waiver of the CON process pursuant to Section 19a-639c, C.G.S., and is hereby GRANTED.

Order

Essent Healthcare of Connecticut, Inc. d/b/a Sharon Hospital ("Applicant") is hereby authorized to replace its existing MRI unit with a GE Medical Systems 1.5 tesla Hispeed MRI unit, at a total capital cost of \$1,756,898, subject to the following conditions:

1. This authorization shall expire on June 30, 2004. Should the Applicant's MRI unit 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 \$1,756,898. 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 is required to report to OHCA the date by which the existing MRI unit has been replaced and its use terminated as well as the final disposition of the existing MRI unit.

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:
June 24, 2003

Singed by:
Mary M. Heffernan
Commissioner

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