



Office Of Health Care Access Certificate of Need Application

Final Decision

Applicant: Danbury Hospital

Docket Number: 03-30139

Project Title: Acquire a New 3.0 Tesla Fixed MRI Unit and Operate a 1.5 Tesla Mobile MRI Unit on a Temporary Basis

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

Filing Date: November 24, 2003

Hearing: Waived

Decision Date: January 21, 2004

Default Date: February 22, 2004

Staff Assigned: Harold M. Oberg

Project Description: Danbury Hospital (“Hospital”) proposes to acquire a new 3.0 tesla fixed Magnetic Resonance Imaging (“MRI”) unit and operate a 1.5 tesla mobile MRI unit on a temporary basis, at a total capital expenditure of \$3,778,462. The proposed high field strength 3.0 tesla MRI unit would be placed adjacent to Danbury Hospital’s existing 1.5 tesla MRI unit and would be operated by the Hospital. During the construction of a permanent location for the proposed new 3.0 tesla MRI unit, the Hospital would lease and operate a 1.5 tesla mobile MRI unit and would terminate its lease when the proposed new MRI unit commences operation.

Nature of Proceedings: On November 24, 2003, the Office of Health Care Access (“OHCA”) received a Certificate of Need (“CON”) application from Danbury Hospital to acquire a new 3.0 tesla fixed MRI unit and operate a 1.5 tesla mobile MRI unit on a temporary basis, at a total capital expenditure of \$3,778,462. 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 December 1, 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 News Times* of Danbury. OHCA received no comments from the public during the public comment period concerning the Hospital's request for waiver of hearing, and therefore on January 5, 2004, OHCA granted the Hospital's request for waiver of hearing. Susan Cole England, Certificate of Need Supervisor, was designated by Commissioner Cristine A. Vogel to render a final decision in this matter.

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

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. Danbury Hospital ("Hospital") is an acute care general hospital located at 24 Hospital Avenue in Danbury, Connecticut. The Hospital's total licensed bed capacity of 371 beds and bassinets includes 345 licensed beds and 26 licensed bassinets. (*October 23, 2003 CON Application, Attachment 7*)
2. The Hospital proposes to acquire a new 3.0 tesla fixed Magnetic Resonance Imaging ("MRI") unit and operate a 1.5 tesla mobile MRI unit on a temporary basis, at a total capital expenditure of \$3,778,462. During the construction of a permanent location for the proposed new 3.0 tesla MRI unit, the Hospital would lease and operate a 1.5 tesla mobile MRI unit and would terminate its lease when the proposed new MRI unit commences operation. (*October 23, 2003 CON Application, Page 1 and Attachment 1*)
3. The proposed high field strength 3.0 tesla MRI unit would be placed adjacent to Danbury Hospital's existing 1.5 tesla MRI unit and would be operated by the Hospital. Professional services will continue to be performed by Danbury Radiological Associates, P.C., which has been the Hospital's radiology group and which has subspecialty expertise in MRI services that includes neuroradiology, musculoskeletal and body imaging. (*July 9, 2003 Letter of Intent, Project Description*)
4. High field 3.0 tesla MRI scanners have significant advantages over 1.5 tesla and other lower field magnets, since they can detect more signal, permitting either much higher resolution images with better image quality obtained for the same imaging time as in lower field strength magnets, or the same spatial resolution in a much shorter imaging time. High spatial resolution is of particular use for the assessment of anatomic areas

where even small abnormalities can have substantial significance, such as in the brain, spinal cord or joints. In addition, 3.0 tesla MRI scanners have decreased imaging time or reduced temporal resolution that is useful in the evaluation of anatomic areas with inherent motion, such as the beating heart. *(October 23, 2003 CON Application, Attachment 1)*

5. The proposed new MRI unit will have the capability of performing MRI examinations that the Hospital cannot currently offer. The proposed high field strength 3.0 tesla MRI unit will bring new capabilities to clinical practice, which previously were the purview of research. Functional brain mapping can determine the parts of the brain that are activated by different types of physical sensations or activities, such as sight, sound or movement. The proposed new MRI unit can detect the increased blood flow of these activated areas and thereby create maps of the brain for surgical and other therapeutic decision making. *(October 23, 2003 CON Application, Attachments 1 and 4)*
6. The Hospital's existing 1.5 tesla MRI unit is currently functioning at capacity and has a backlog of 17 days for routine MRI studies. With the additional 3.0 tesla MRI unit, access would be improved and the backlog would be reduced to two or three days for these MRI examinations. The addition of the temporary 1.5 tesla mobile MRI unit would allow the Hospital to immediately begin to address this MRI backlog. *(October 23, 2003 CON Application, Attachments 1 and 4)*
7. The Hospital's actual MRI procedure volume was 8,094 procedures in FY 2000, 7,572 procedures in FY 2001, 7,181 procedures in FY 2002 and 6,823 procedures in FY 2003. *(November 24, 2003 Completeness Responses, Page 17)*
8. The Hospital's projected MRI procedure volume for FY 2004, FY 2005 and FY 2006 is as follows: *(November 24, 2003 Completeness Responses, Page 22)*

Table 1: Hospital's Projected MRI Procedures for FY 2004, FY 2005 and FY 2006

Description	FY 2004	FY 2005	FY 2006
Projected MRI Procedures: With the CON Proposal	8,598	11,550	13,484
Projected MRI Procedures: Without the CON Proposal	7,049	7,260	7,478
Projected MRI Procedures: Incremental to CON Prop.	1,549	4,290	6,006

9. The Hospital's calculations of the projected incremental MRI procedures for FY 2004, FY 2005 and FY 2006, which allow for both 50% shorter scan times and new clinical applications, are as follows: *(December 2, 2003 Supplemental Completeness Responses)*

Table 2: Hospital's Calculation of Projected Incremental MRI Procedures

Description
<u>FY 2004 Projected Incremental MRI Procedures</u>
176 working days x 8 patients per day = 1,408 patients
1,408 patients x 1.1 MRI examinations per patient = 1,549 MRI procedures
<u>FY 2005 Projected Incremental MRI Procedures</u>
300 working days x 13 patients per day = 3,900 patients
3,900 patients x 1.1 MRI examinations per patient = 4,290 MRI procedures

FY 2006 Projected Incremental MRI Procedures

312 working days x 17.5 patients per day = 5,460 patients

5,460 patients x 1.1 MRI examinations per patient = 6,006 MRI procedures

10. The Hospital currently provides MRI services to its patients 24 hours a day, 365 days a year, during working hours from 7:00 a.m. to 11:00 p.m., with on call coverage from 11:00 p.m. to 7:00 a.m. No change in these days and hours of MRI service provision are anticipated by the Hospital. (*October 23, 2003 CON Application, Attachment 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 expenditure of \$3,778,462 for the CON proposal includes the following capital expenditure components: (*October 23, 2003 CON Application, Page 6*)

Table 3: Hospital's Total Capital Expenditure for the CON Proposal

Description	Total
New GE 3.0 Tesla Fixed MRI Unit	\$ 2,599,665
New Construction to house the MRI Unit	1,178,797
Total Capital Expenditure for the CON Proposal	\$3,778,462

12. The total capital expenditure for the CON proposal will be financed entirely by an equity contribution of \$3,778,462 from the Hospital's operating funds. (*October 23, 2003 CON Application, Page 7*)
13. The proposed new MRI project will add 1,829 square feet for a new second MRI unit with associated ancillary spaces. (*October 23, 2003 CON Application, Attachment 10*)
14. The Hospital estimates that the temporary 1.5 tesla mobile MRI unit will be operated for approximately seven months while new construction is being undertaken, and that new construction will be completed and the new 3.0 tesla MRI unit will commence operation in July 2004. (*October 23, 2003 CON Application, Page 7*)
15. The Hospital projects incremental revenue from operations, total operating expense and gains from operations associated with the CON proposal as follows: (*November 24, 2003 Completeness Responses, Page 22*)

Table 4: Hospital's Incremental Financial Projections for FY 2004, FY 2005 and FY 2006

Description	FY 2004	FY 2005	FY 2006
Incremental Revenue from Operations	\$1,566,000	\$ 4,467,000	\$ 6,434,000
Incremental Total Operating Expense	716,000	896,000	1,026,000
Incremental Gain from Operations	\$ 850,000	\$3,571,000	\$5,408,000

16. The Hospital's projected payer mix during the first three years of implementation and operation of the proposed new 3.0 tesla MRI unit is as follows: (*October 23, 2003 CON Application, Page 9*)

Table 5: Hospital's Three-Year Projected Payer Mix

Payer Mix	Year 1	Year 2	Year 3
Medicare	36.0%	36.0%	36.0%
Medicaid	4.0%	4.0%	4.0%
TriCare (CHAMPUS)	0.0%	0.0%	0.0%
Total Government	40.0%	40.0%	40.0%
Commercial Insurers	58.0%	58.0%	58.0%
Self-Pay	2.0%	2.0%	2.0%
Workers Compensation	0.0%	0.0%	0.0%
Total Non-Government	60.0%	60.0%	60.0%
Uncompensated Care	0.0%	0.0%	0.0%
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.:

17. There is no State Health Plan in existence at this time. *(October 23, 2003 CON Application, Page 2)*
18. The Hospital has adduced evidence that the proposal is consistent with the Hospital's long-range plan. *(October 23, 2003 CON Application, Page 2)*
19. The Hospital has improved productivity and contained costs by undertaking energy conservation, group purchasing and application of new technology activities. *(October 23, 2003 CON Application, Page 4)*
20. The proposal will not result in any change to the Hospital's teaching and research responsibilities. *(October 23, 2003 CON Application, Page 4)*
21. There are no distinguishing or unique characteristics of the Hospital's patient/physician mix related to the proposal. *(October 23, 2003 CON Application, Page 5)*
22. The Hospital has sufficient technical, financial and managerial competence and expertise to provide efficient and adequate service to the public. *(October 23, 2003 CON Application, Attachment 5)*

Rationale

Danbury Hospital ("Hospital") proposes to acquire a new 3.0 tesla fixed Magnetic Resonance Imaging ("MRI") unit and operate a 1.5 tesla mobile MRI unit on a temporary basis, at a total capital expenditure of \$3,778,462. During the construction of a permanent location for the proposed new 3.0 tesla MRI unit, the Hospital would lease and operate a 1.5 tesla mobile MRI unit and would terminate its lease when the proposed new MRI unit commences operation.

The proposed high field 3.0 tesla MRI scanner would have significant advantages over 1.5 tesla and other lower field magnets, since it can detect more signal, permitting either much higher resolution images with better image quality obtained for the same imaging time as in lower field strength magnets, or the same spatial resolution in a much shorter imaging time. High spatial resolution is of particular use for the assessment of anatomic areas where even small abnormalities can have substantial significance, such as in the brain, spinal cord or joints. In addition, the proposed 3.0 tesla MRI scanner would have decreased imaging time or reduced temporal resolution that is useful in the evaluation of anatomic areas with inherent motion, such as the beating heart.

The proposed new MRI unit will have the capability of performing MRI examinations that the Hospital cannot currently offer. The proposed high field strength 3.0 tesla MRI unit will bring new capabilities to clinical practice, which previously were the purview of research. Functional brain mapping can determine the parts of the brain that are activated by different types of physical sensations or activities, such as sight, sound or movement. The proposed new MRI unit can detect the increased blood flow of these activated areas and thereby create maps of the brain for surgical and other therapeutic decision making.

The Hospital's existing 1.5 tesla MRI unit is currently functioning at capacity and has a backlog of 17 days for routine MRI studies. With the additional 3.0 tesla MRI unit, access would be improved and the backlog would be reduced to two or three days for these MRI examinations. The addition of the temporary 1.5 tesla mobile MRI unit would allow the Hospital to immediately begin to address this MRI backlog. The Hospital projects incremental volume increases of 1,549 MRI procedures in FY 2004, 4,290 MRI procedures in FY 2005 and 6,006 MRI procedures in FY 2006, which allow for both 50% shorter MRI scan times and new clinical applications that are associated with the CON proposal. Based on the foregoing reasons, OHCA finds that there is a clear public need for the CON proposal, and that the CON proposal will improve both the quality and accessibility of the Hospital's existing MRI services.

The proposal's total capital expenditure of \$3,778,462 will be funded entirely by an equity contribution of \$3,778,462 from the Hospital's operating funds. The Hospital projects incremental gains from operations of \$850,000 in FY 2004, \$3,571,000 in FY 2005 and \$5,408,000 in FY 2006 due to the CON proposal. 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 Danbury Hospital to acquire a new 3.0 tesla fixed MRI unit and operate a 1.5 tesla mobile MRI unit on a temporary basis, at a total capital expenditure of \$3,778,462, is hereby GRANTED.

Order

Danbury Hospital ("Hospital") is hereby authorized to acquire a new 3.0 tesla fixed MRI unit and operate a 1.5 tesla mobile MRI unit on a temporary basis, at a total capital expenditure of \$3,778,462, subject to the following conditions:

1. This authorization shall expire on January 31, 2006. Should the Hospital's 3.0 tesla MRI unit acquisition 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 expenditure of \$3,778,462. 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. The Hospital shall terminate the lease for the authorized temporary 1.5 tesla mobile MRI unit after the new 3.0 tesla MRI unit has commenced operation. Furthermore, the Hospital shall provide evidence to OHCA of the termination of the lease for the temporary 1.5 tesla mobile MRI unit by no later than one month after the new 3.0 tesla MRI unit has commenced operation.

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

Susan Cole England
Certificate of Need Supervisor

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