



Office Of Health Care Access Certificate of Need Application

Final Decision

Applicants: The Charlotte Hungerford Hospital and Alliance Imaging, Inc.

Docket Number: 03-30189

Project Title: Add an Additional Day for Mobile PET Scanning Services at Winsted Campus

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

Filing Date: December 15, 2003

Hearing: Waived

Decision Date: January 23, 2004

Default Date: March 14, 2004

Staff Assigned: Harold M. Oberg

Project Description: The Charlotte Hungerford Hospital (“Hospital”) and Alliance Imaging, Inc. (“Alliance”) propose to add an additional day once every two weeks for mobile Positron Emission Tomography (“PET”) scanning services to be provided at the Hospital’s Winsted campus, at a total capital expenditure of \$1,695,000. Mobile PET scanning services are currently provided once every two weeks at the Hospital’s Torrington campus. The proposed additional day of mobile PET scanning services to be provided once every two weeks at the Hospital’s Winsted campus would provide increased access to these services in the Hospital’s service area.

Nature of Proceedings: On December 15, 2003, the Office of Health Care Access (“OHCA”) received a Certificate of Need (“CON”) application from The Charlotte Hungerford Hospital and Alliance Imaging, Inc. (“Applicants”) to add an additional day for mobile PET scanning services to be provided at the Hospital’s Winsted campus, at a total capital expenditure of \$1,695,000. The Hospital is a health care facility or institution as defined by Section 19a-630 of the Connecticut General Statutes (“C.G.S.”).

The Applicants 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 22, 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 Register Citizen* of Torrington. OHCA received no comments from the public during the public comment period concerning the Applicants' request for waiver of hearing, and therefore on January 9, 2004, OHCA granted the Applicants' request for waiver of hearing.

OHCA's authority to review and approve, modify or deny the CON application is established by Sections 19a-638 and 19a-639, C.G.S. The provisions of these sections 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. The Charlotte Hungerford Hospital ("Hospital") is an acute care general hospital located at 540 Litchfield Street in Torrington, Connecticut. The Hospital's total licensed bed capacity of 122 beds and bassinets includes 109 licensed beds and 13 licensed bassinets. (*November 18, 2003 CON Application, Attachment 4*)
2. Alliance Imaging, Inc. ("Alliance") is a company that provides diagnostic imaging services, therapeutic services and related technical support services as well as management services, to hospitals and other health care providers. (*November 20, 2001 OHCA Final Decision, Docket Number 01-509, Page 3*)
3. The Charlotte Hungerford Hospital and Alliance Imaging, Inc. ("Applicants") propose to add an additional day once every two weeks for mobile Positron Emission Tomography ("PET") scanning services at the Hospital's Winsted campus, at a total capital expenditure of \$1,695,000. (*November 18, 2003 CON Application, Page 1*)
4. The Applicants currently provide mobile PET scanning services once every two weeks at the Hospital's Torrington campus. The proposed additional day of mobile PET scanning services to be provided once every two weeks at the Hospital's Winsted campus would provide greater access to these services in the Hospital's service area. (*September 18, 2003 Letter of Intent, Project Description*)
5. On November 20, 2001, the Office of Health Care Access ("OHCA") granted a Certificate of Need ("CON") under Docket Number 01-509 to the Hospital and Alliance, as part of a consortium of seven hospitals, to establish mobile PET scanning services at the Hospital's Torrington campus. The operating schedule established

between Alliance and the Hospital is at their discretion and is based on their joint operating needs. *(November 20, 2001 OHCA Final Decision, Docket Number 01-509, Page 8)*

6. The Applicants' scheduling backlog for PET scanning services is currently at four weeks due to these services being available on Thursday every other week. The only additional day for the Applicants to provide PET scanning services at the Hospital's Torrington campus is on Sunday. Since the isotope necessary for the PET procedures is not available on Sunday, the Applicants require another location to provide additional PET scanning services. *(November 18, 2003 CON Application, Attachment 1)*
7. The pad at the Hospital's Winsted campus will be available for use on Saturday. Alliance will provide qualified nuclear medicine technologists to perform the PET examinations at the Winsted service location and will also assume the responsibility of providing the required isotope. *(November 18, 2003 CON Application, Page 9 and Attachment 1)*
8. The Hospital's primary service area includes the towns of Cornwall, Goshen, Harwinton, Litchfield, Morris, New Hartford, Norfolk, Thomaston, Torrington and Winchester. The travel distance to the proposed Winsted service location from a majority of the Hospital's service area towns is within 15 miles. *(November 18, 2003 CON Application, Attachment 1)*
9. The Hospital's actual PET scan volume was 57 PET scans in FY 2002 and 141 PET scans in FY 2003. *(December 15, 2003 Completeness Responses, Page 1)*
10. The Hospital's projected PET scan volume for FY 2004, FY 2005 and FY 2006 is as follows: *(December 26, 2003 Supplemental Completeness Responses)*

Table 1: Hospital's Projected PET Scans for FY 2004, FY 2005 and FY 2006

Description	FY 2004	FY 2005	FY 2006
Projected PET Scans: With the CON Proposal	336	336	336
Projected PET Scans: Without the CON Proposal	240	240	240
Projected PET Scans: Incremental to the CON Proposal	96	96	96

11. The Hospital's calculations of the projected PET scans for FY 2004, FY 2005 and FY 2006 are as follows: *(December 15, 2003 Completeness Responses, Pages 1 and 2)*

Table 2: Hospital's Calculation of Projected PET Scans for FY 2004, FY 2005, FY 2006

Description
<u>Projected PET Scans With the CON Proposal</u> 240 PET scans per year at the Torrington campus plus 96 PET scans per year at the Winsted campus = 336 total PET scans per year
<u>Projected PET Scans Without the CON Proposal</u> 2 working days per month x 10 PET scans per day = 20 PET scans per month 20 PET scans per month x 12 months per year = 240 total PET scans per year
<u>Projected PET Scans Incremental to the CON Proposal</u> 2 working days per month x 4 PET scans per day = 8 PET scans per month 8 PET scans per month x 12 months per year = 96 total PET scans per year

12. The vast majority of PET scans that the Applicants perform are for the purpose of staging malignant processes prior to the initiation of treatment. At present, if an oncologist or surgeon sees patients just before or just after a biweekly session, the patients' examinations are scheduled at a minimum two weeks later, delaying the beginning of patient treatment or requiring travel outside of the Hospital's service area. *(November 18, 2003 CON Application, Attachment 1)*
13. The Hospital provides PET scanning services on Thursday every other week and plans to add an additional day on Saturday every other week in Winston from 9:00 a.m. to 5:00 p.m. *(November 18, 2003 CON Application, Page 9 and Attachment 1)*

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

14. The total capital expenditure of \$1,695,000 for the CON proposal represents the current estimated fair market value of Alliance's mobile PET scanning unit authorized by OHCA under Docket Number 01-509. *(November 18, 2003 CON Application, Page 6)*
15. The total capital expenditure of \$1,695,000 for the CON proposal has been financed entirely by an equity contribution from Alliance's operating funds. *(November 18, 2003 CON Application, Page 7)*
16. The Hospital projects incremental revenue from operations, total operating expense and gains from operations associated with the CON proposal as follows: *(December 26, 2003 Supplemental Completeness Responses)*

Table 3: Hospital's Incremental Financial Projections for FY 2004, FY 2005 and FY 2006

Description	FY 2004	FY 2005	FY 2006
Incremental Revenue from Operations	\$180,230	\$189,083	\$198,704
Incremental Total Operating Expense	146,208	150,594	155,112
Incremental Gain from Operations	\$ 34,022	\$ 38,489	\$ 43,592

17. The Hospital's projected payer mix for the first three years of the proposed mobile PET scanning services is as follows: *(November 18, 2003 CON Application, Page 8)*

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

Description	Year 1	Year 2	Year 3
Medicare	45.8%	45.8%	45.8%
Medicaid	11.4%	11.4%	11.4%
TriCare (CHAMPUS)	0.1%	0.1%	0.1%
Total Government	57.3%	57.3%	57.3%
Commercial Insurers	36.9%	36.9%	36.9%
Self-Pay	4.3%	4.3%	4.3%
Workers Compensation	1.5%	1.5%	1.5%
Total Non-Government	42.7%	42.7%	42.7%
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.:

18. There is no State Health Plan in existence at this time. *(November 18, 2003 CON Application, Page 2)*
19. The Hospital has adduced evidence that the proposal is consistent with the Hospital's long-range plan. *(November 18, 2003 CON Application, Page 2)*
20. The Hospital has improved productivity and contained costs by undertaking energy conservation and group purchasing activities. *(November 18, 2003 CON Application, Page 4)*
21. The proposal will not result in any change to the Hospital's teaching and research responsibilities. *(November 18, 2003 CON Application, Page 5)*
22. There are no distinguishing or unique characteristics of the Hospital's patient/physician mix related to the proposal. *(November 18, 2003 CON Application, Page 5)*
23. The Hospital has sufficient technical, financial and managerial competence and expertise to provide efficient and adequate service to the public. *(November 18, 2003 CON Application, Attachment 3)*

Rationale

The Charlotte Hungerford Hospital and Alliance Imaging, Inc. ("Applicants") propose to add an additional day once every two weeks for mobile Positron Emission Tomography ("PET") scanning services at the Winsted campus of The Charlotte Hungerford Hospital ("Hospital"), at a total capital expenditure of \$1,695,000. The Hospital and Alliance Imaging, Inc. ("Alliance") currently provide mobile PET scanning services once every two weeks at the Hospital's Torrington campus. The proposed additional day of mobile PET scanning services to be provided once every two weeks at the Hospital's Winsted campus would provide greater access to these services in the Hospital's service area.

On November 20, 2001, the Office of Health Care Access ("OHCA") granted a Certificate of Need ("CON") under Docket Number 01-509 to the Hospital and Alliance, as part of a consortium of seven hospitals, to establish mobile PET scanning services at the Hospital's Torrington campus. The operating schedule established between Alliance and the Hospital is at their discretion and is based on their joint operating needs.

The vast majority of PET scans that the Applicants perform are for the purpose of staging malignant processes prior to the initiation of treatment. At present, if an oncologist or surgeon sees patients just before or just after a biweekly session, the patients' examinations are scheduled at a minimum two weeks later, delaying the beginning of patient treatment or requiring travel outside of the Hospital's service area.

The Applicants' scheduling backlog for PET scanning services is currently at four weeks due to these services being available on Thursday every other week. The only additional day for the Applicants to provide PET scanning services at the Hospital's Torrington campus is on Sunday. Since the isotope necessary for the PET procedures is not available on Sunday, the Applicants require another location to provide additional PET scanning services. The pad at the Hospital's Winsted campus will be available for use on Saturday. Alliance will provide qualified nuclear medicine technologists to perform the PET examinations at the Winsted service location and will also assume the responsibility of providing the required isotope.

The Hospital's primary service area includes the towns of Cornwall, Goshen, Harwinton, Litchfield, Morris, New Hartford, Norfolk, Thomaston, Torrington and Winchester. The travel distance to the proposed Winsted service provider location from a majority of the Hospital's service area towns is 15 miles. The Hospital projects incremental volume increases of 96 PET scans in FY 2004, 96 PET scans in FY 2005 and 96 PET scans in FY 2006 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 Applicants' existing mobile PET scanning services in the Northwestern Connecticut region.

The total capital expenditure of \$1,695,000 for the CON proposal represents the current estimated fair market value of Alliance's mobile PET scanning unit authorized by OHCA under Docket Number 01-509 and has been financed entirely by an equity contribution from Alliance's operating funds. The Hospital projects incremental gains from operations of \$34,022 in FY 2004, \$38,489 in FY 2005 and \$43,592 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 The Charlotte Hungerford Hospital and Alliance Imaging, Inc. to add an additional day once every two weeks for mobile PET scanning services to be provided at the Hospital's Winsted campus, at a total capital expenditure of \$1,695,000, is hereby granted.

Order

The Charlotte Hungerford Hospital (“Hospital”) and Alliance Imaging, Inc. (“Applicants”) are hereby authorized to add an additional day once every two weeks for mobile PET scanning services to be provided at the Hospital’s Winsted campus, at a total capital expenditure of \$1,695,000, subject to the following conditions:

1. This authorization shall expire on January 31, 2006. Should the Applicants’ project to add an additional day for mobile PET scanning services not be completed by that date, the Applicants must seek further approval from OHCA to complete the project beyond that date.
2. The approved total capital expenditure for the Applicants’ project is \$1,695,000.
3. Alliance Imaging, Inc. shall provide mobile PET scanning services at the Hospital’s Winsted campus.
4. The future operating schedule between the Hospital and Alliance Imaging, Inc. shall be established based on their joint operating needs and shall be at their discretion.
5. The Hospital, in conjunction with Alliance Imaging, Inc., shall file utilization statistics for the PET scanning service on a quarterly calendar basis for two full years of operations. Each quarterly filing shall be submitted to OHCA by no later than one month following the end of each reporting period (e.g., January, April, July, and October). The initial report shall list the date on which the mobile PET scanning service commenced operation. The quarterly reports shall include the following:

Total number of scans scheduled for the PET scanning service;
Total number of scans performed by the PET scanning service;
Average patient waiting time from the scheduling of the scan to the performance of the scan;
Number of scans by patient zip code;
Hours and days of operation for each week and in total; and
Number of scans by Medicare diagnostic code.

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

Cristine A. Vogel
Commissioner