



Office Of Health Care Access Certificate of Need Application

Final Decision

Applicant: Fairfield County High Field Open MRI, LLC

Docket Number: 04-30236

Project Title: Acquire a High Field Open MRI Unit for Fairfield Office

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

Filing Date: March 16, 2004

Decision Date: April 27, 2004

Default Date: June 14, 2004

Staff Assigned: Harold M. Oberg

Project Description: Fairfield County High Field Open MRI, LLC (“Applicant”) proposes to acquire a high field open Magnetic Resonance Imaging (“MRI”) unit for its Fairfield office, at a total capital expenditure of \$2,096,000. The Applicant plans to acquire a Fonar Stand-Up 0.6 tesla open MRI unit to be operated at the Fairfield office of Advanced Radiology Consultants, LLC, the Applicant’s corporate holding company, located at 1055 Post Road in Fairfield, Connecticut.

Nature of Proceedings: On March 16, 2004, the Office of Health Care Access (“OHCA”) received a completed Certificate of Need (“CON”) application from Fairfield County High Field Open MRI, LLC to acquire a high field open MRI unit for its Fairfield office, at a total capital expenditure of \$2,096,000.

On April 2, 2004, the Applicant was informed that a notice to the public regarding OHCA’s receipt of the Applicant’s Letter of Intent (“LOI”) to file its CON application would be published in *The Connecticut Post* of Bridgeport pursuant to Section 19a-639 of the Connecticut General Statutes (“C.G.S.”) as amended by Section 1 of Public Act 03-17. OHCA received no comments from the public concerning the Applicant’s LOI or CON application.

OHCA's authority to review and approve, modify or deny the CON application is established by Section 19a-639(c), 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. Advanced Radiology Consultants, LLC ("Advanced Radiology") is a major provider of diagnostic imaging services in Fairfield County, with offices located in the towns of Stamford, Fairfield, Bridgeport, Stratford, Trumbull and Orange, and serves as the exclusive provider of radiology services to Bridgeport Hospital. Advanced Radiology and its affiliates are the largest providers of Magnetic Resonance Imaging ("MRI") services in the state, and currently operate MRI scanners that include high field closed scanners and mid and low field open units. (*January 15, 2004 Letter of Intent, Page 8*)
2. Advanced Radiology's Fairfield office provides imaging services in the following modalities: radiography, fluoroscopy, mammography, ultrasound, magnetic resonance, and computed tomography. Fairfield County High Field Open MRI, LLC ("Applicant") will be formed as a wholly-owned subsidiary of Advanced Radiology and will provide diagnostic imaging services at Advanced Radiology's Fairfield office located at 1055 Post Road in Fairfield, Connecticut. (*March 16, 2004 CON Application, Pages 2 and 15*)
3. The Applicant proposes to acquire a high field open MRI unit for its Fairfield office, at a total capital expenditure of \$2,096,000. The Applicant will acquire and operate a Fonar Stand-Up 0.6 tesla open MRI unit and will provide diagnostic imaging services at Advanced Radiology's Fairfield office. (*March 16, 2004 CON Application, Pages 1, 2 and 5*)
4. Advanced Radiology believes that a high field open MRI unit will complement its existing high field closed MRI unit, which, even though it is a short-bore model, still has a substantial patient claustrophobia rate and cannot accommodate certain obese patients. The Stand-Up 0.6 tesla open MRI unit manufactured by Fonar is a new type of open MRI scanner that allows examination in the sitting, standing or recumbent positions, and has a very low rate of patient claustrophobia. (*March 16, 2004 CON Application, Page 2*)
5. The proposed high field open MRI scanner has certain potential advantages over other scanners in that it may show pathology related to patient position or weight-bearing, a heretofore unavailable benefit. Thus, patients who have positional symptoms might now be imaged more appropriately. In addition, this type of MRI scanner can function as a more conventional high field open recumbent scanner, thus providing high quality scanning capabilities to all claustrophobic and obese patients. (*March 16, 2004 CON Application, Page 2*)

6. The Applicant's primary service area will include the towns of Fairfield, Bridgeport, Stratford, Trumbull, Easton and Monroe, and the Applicant's secondary service area will include the towns of Milford, Shelton, Ansonia, Derby, Westport and Weston. *(March 16, 2004 CON Application, Page 7)*
7. There are currently no providers of high field open MRI services located in Fairfield County, and no stand-up MRI units are currently operating in the state. The only operational high field open MRI unit in southern Connecticut is located in Hamden. *(March 16, 2004 CON Application, Page 8)*
8. The Applicant based the need for the CON proposal on the projected MRI scans involving claustrophobic and obese patients and those patients requiring positional MRI capabilities that are included in Advanced Radiology's Fairfield office's existing closed MRI patient volume as well as patients to be referred by other existing closed MRI providers located in the Applicant's primary and secondary service areas. *(April 20, 2004 Supplemental CON Application Filing, Page 2)*
9. Advanced Radiology's total actual MRI scans at its Fairfield office was 3,900 in FY 2001, 4,378 in FY 2002 and 5,565 in FY 2003. *(March 16, 2004 CON Application, Page 3)*
10. The Applicant believes there is an immediate need to add MRI capacity at the Fairfield office to meet current and future demand for MRI services. From FY 2001 through FY 2003, the MRI volume at Advanced Radiology's Fairfield office increased by 42.7%. The existing closed MRI scanner at this office has no additional capacity available to accommodate continued future increases in MRI demand. *(March 16, 2004 CON Application, Page 3)*
11. The current days and hours of operation of Advanced Radiology's MRI services at its Fairfield office are Monday through Friday from 7:00 am until 11:00 pm and Saturday and Sunday from 7:00 am until 7:00 pm. The proposed high field open MRI unit will operate Monday through Friday from 8:30 am until 5:00 pm. Depending upon technologist availability, service hours could be expanded to accommodate patient demand for high field open MRI services. *(March 16, 2004 CON Application, Pages 3 and 8)*
12. The Applicant's projected incremental open MRI scans at its Fairfield office for FY 2004, FY 2005 and FY 2006 are as follows: *(March 16, 2004 CON Application, Exhibit I)*

Table 1: Applicant's Projected Incremental Open MRI Scans at its Fairfield Office

Description	FY 2004	FY 2005	FY 2006
Projected Total MRI Scans with CON Proposal	5,890	7,488	8,008
Projected Total MRI Scans without CON Proposal	5,500	5,408	5,408
Projected Open MRI Scans Incremental to CON Proposal	390	2,080	2,600

13. The Applicant's projected incremental open MRI scans are based upon an average of 6 open MRI scans per day in FY 2004, 8 scans per day in FY 2005 and 10 scans per day in FY 2006. The total number of operating days will be 65 days in FY 2004 and 260 days in FY 2005 and FY 2006. The Applicant estimates that the proposed high field open MRI unit will commence operation in October 2004. *(March 16, 2004 CON Application, Page 9)*

14. The Applicant's open MRI examinations to be performed on the proposed high field open MRI unit will be supervised and interpreted by sub-specialist radiologists with significant prior MRI interpretation experience. *(March 16, 2004 CON Application, Page 13)*

**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**

15. The Applicant's total capital expenditure of \$2,096,000 includes \$1,600,000 for the proposed Fonar Stand-Up 0.6 tesla open MRI unit, \$400,000 for facility renovations and \$96,000 for sales tax. *(March 16, 2004 CON Application, Page 15)*
16. The Applicant's total capital expenditure will be funded by an equity contribution of \$420,000 from the Applicant's operating funds and by debt financing of \$1,676,000 through a conventional loan that it is estimated will have an interest rate of 4% and a term of five years. *(March 16, 2004 CON Application, Pages 17 and 18 and April 20, 2004 Supplemental CON Application Filing, Page 3)*
17. The Applicant projects incremental revenue from operations, total operating expense and revenue over expense associated with the CON proposal as follows: *(March 16, 2004 CON Application, Exhibit I)*

Table 2: Applicant's Incremental Financial Projections for FY 2004, FY 2005 and FY 2006

Description	FY 2004	FY 2005	FY 2006
Incremental Revenue from Operations	\$234,000	\$1,248,000	\$1,560,000
Incremental Total Operating Expense	133,364	732,615	943,242
Incremental Revenue Over Expense	\$100,636	\$ 515,385	\$ 616,758

18. The projected incremental revenue over expense in each of the three fiscal years is due to the projected incremental open MRI scans associated with the operation of the proposed high field open MRI unit. *(March 16, 2004 CON Application, Exhibit I)*
19. The Applicant's projected payer mix during the first three years of operation of the proposed high field open MRI unit is as follows: *(March 16, 2004 CON Application, Page 19)*

Table 3: Applicant's Three-Year Projected Payer Mix

Description	Year 1	Year 2	Year 3
Medicare	27.70%	27.70%	27.70%
Medicaid	5.92%	5.92%	5.92%
TriCare (CHAMPUS)	0.00%	0.00%	0.00%
Total Government	33.62%	33.62%	33.62%
Commercial Insurers	63.78%	63.78%	63.78%
Self-Pay	2.60%	2.60%	2.60%
Workers Compensation	0.00%	0.00%	0.00%
Total Non-Government	66.38%	66.38%	66.38%
Uncompensated Care	0.00%	0.00%	0.00%
Total Payer Mix	100.00%	100.00%	100.00%

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.:

20. There is no state health plan in existence at this time. *(March 16, 2004 CON Application, Page 2)*
21. The Applicant has adduced evidence that the proposal is consistent with the Applicant's long-range plan. *(March 16, 2004 CON Application, Page 2)*
22. The Applicant has improved productivity and contained costs by undertaking energy conservation, reengineering, group purchasing and activities involving the application of new technology. *(March 16, 2004 CON Application, Page 12)*
23. The proposal will not result in any significant change to the Applicant's teaching and research responsibilities. *(March 16, 2004 CON Application, Page 13)*
24. There are no distinguishing or unique characteristics of the Applicant's patient/physician mix related to the proposal. *(March 16, 2004 CON Application, Page 13)*
25. The Applicant has sufficient technical, financial and managerial competence and expertise to provide efficient and adequate service to the public. *(March 16, 2004 CON Application, Exhibit C)*

Rationale

Fairfield County High Field Open MRI, LLC ("Applicant"), a wholly-owned subsidiary to be formed by Advanced Radiology Consultants, LLC ("Advanced Radiology"), proposes to acquire a high field open Magnetic Resonance Imaging ("MRI") unit for its Fairfield office, at a total capital expenditure of \$2,096,000. The Applicant will acquire and operate a Fonar Stand-Up 0.6 tesla open MRI unit and will provide diagnostic imaging services at Advanced Radiology's Fairfield office located at 1055 Post Road in Fairfield, Connecticut.

Advanced Radiology believes that a high field open MRI unit will complement its existing high field closed MRI unit, which, even though it is a short-bore model, still has a substantial patient claustrophobia rate and cannot accommodate certain obese patients. The Stand-Up 0.6 tesla open MRI unit manufactured by Fonar is a new type of open MRI scanner that allows examination in the sitting, standing or recumbent positions, and has a very low rate of patient claustrophobia. The proposed high field open MRI scanner has certain potential advantages over other scanners in that it may show pathology related to patient position or weight-bearing, a heretofore unavailable benefit. Thus, patients who have positional symptoms might now be imaged more appropriately. In addition, this type of MRI scanner can function as a more conventional high field open recumbent scanner, thus providing high quality scanning capabilities to all claustrophobic and obese patients.

There are currently no providers of high field open MRI services located in Fairfield County, and no stand-up MRI units are currently operating in the state. The only operational high field open MRI unit in southern Connecticut is located in Hamden. The Applicant based the need for the CON proposal on the projected MRI scans involving claustrophobic and obese patients and those patients requiring positional MRI capabilities that are included in Advanced Radiology's Fairfield office's existing closed MRI patient volume as well as patients to be referred by other existing closed MRI providers located in the Applicant's primary and secondary service areas.

The Applicant believes there is an immediate need to add MRI capacity at the Fairfield office to meet current and future demand for MRI services. From FY 2001 through FY 2003, the MRI volume at Advanced Radiology's Fairfield office increased by 42.7%. The existing closed MRI scanner at this office has no additional capacity available to accommodate continued future increases in MRI demand. The current days and hours of operation of Advanced Radiology's MRI services at its Fairfield office are Monday through Friday from 7:00 am until 11:00 pm and Saturday and Sunday from 7:00 am until 7:00 pm. The proposed high field open MRI unit will operate Monday through Friday from 8:30 am until 5:00 pm. Depending upon technologist availability, service hours could be expanded to accommodate patient demand for high field open MRI services. Based on the foregoing reasons, OHCA finds that there is a clear public need for the Applicant's CON proposal, and that the CON proposal will improve the quality and accessibility of open MRI services provided in the Fairfield region.

The total capital expenditure of \$2,096,000 for the CON proposal will be funded by an equity contribution of \$420,000 from the Applicant's operating funds and by debt financing of \$1,676,000 through a conventional loan that it is estimated will have an interest rate of 4% and a term of five years. The Applicant projects that its incremental open MRI scans will be 390 in FY 2004, 2,080 in FY 2005 and 2,600 in FY 2006 as a result of the implementation of the CON proposal. The Applicant projects incremental revenue over expense of \$100,636 in FY 2004, \$515,385 in FY 2005 and \$616,758 in FY 2006 due to the CON proposal. The proposal's projected incremental revenue over expense is due to the projected incremental open MRI scans associated with the operation of the proposed high field open MRI unit. The Applicant's open MRI scan 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 Fairfield County High Field Open MRI, LLC to acquire a high field open MRI unit for its Fairfield office, at a total capital expenditure of \$2,096,000, is hereby GRANTED.

Order

Fairfield County High Field Open MRI, LLC (“Applicant”) is hereby authorized to acquire a high field open MRI unit for its Fairfield office, at a total capital expenditure of \$2,096,000, subject to the following conditions:

1. This authorization shall expire on April 30, 2006. Should the Applicant’s high field open MRI unit 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 total capital expenditure of \$2,096,000. 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 CON project budget.
3. If the Applicant wishes to operate the high field open MRI unit at a location other than 1055 Post Road in Fairfield, the Applicant is required to seek CON authorization from OHCA to operate the approved high field open MRI unit at any different location.

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

April 27, 2004

Signed by Cristine A. Vogel
Commissioner

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