



## Office of Health Care Access Certificate of Need Application

### Final Decision

**Hospital:** The William W. Backus Hospital

**Docket Number:** 04-30281-CON

**Project Title:** Acquisition of Radiology Services

**Statutory Reference:** Section 19a-638 of the Connecticut General Statutes

**Filing Date:** September 3, 2004

**Presiding Officer:** Cristine A. Vogel, Commissioner

**Decision Date:** September 29, 2004

**Default Date:** December 2, 2004

**Staff Assigned:** Kim Martone

**Project Description:** The William W. Backus Hospital (“Hospital”) proposes to acquire the radiology services from Women’s Care Medical Center (“WCMC”), located at 85 Poheganut Drive in Groton, CT. The total capital expenditure associated with the proposed transfer of ownership and control is \$524,534.

**Nature of Proceedings:** On September 3, 2004, the Office of Health Care Access (“OHCA”) received the Certificate of Need (“CON”) application of the Hospital seeking authorization for the acquisition of radiology services from WCMC, at a total capital expenditure of \$524,534. The Hospital is a health care facility or institution as defined by Section 19a-630 of the Connecticut General Statutes (“C.G.S.”).

On April 14, 2004, the Hospital was informed that a notice to the public regarding OHCA's receipt of the Hospital's Letter of Intent ("LOI") to file its CON application would be published in *The Day* (New London) pursuant to Section 19a-638, C.G.S. as amended by Section 1 of Public Act 03-17.

OHCA's authority to review and approve, modify or deny the CON application is established by Section 19a-638, C.G.S. The provision 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**

#### **Applicant's Current Utilization Statistics**

#### **Proposal's Contribution to Accessibility and Quality of Health Care Delivery in the Region**

1. The William W. Backus Hospital is an acute care general hospital located at 326 Washington Street in Norwich, Connecticut. (*April 13, 2004, CON Determination*)
2. Women's Care Medical Center was established in 1991 by Dr. Caryn Nesbitt, WCMC Medical Director, as part of a comprehensive primary care center to deliver medical services to women age 12 and older located at 85 Poheganut Drive in Groton, CT. (*September 3, 2004 CON Application, page 2*)
3. The Hospital proposes to acquire the existing radiology services currently provided by WCHC in Groton from Dr. Caryn Nesbitt. (*April 13, 2004, CON Determination*)
4. These radiology services include ultrasound, bone densitometry, mammography and radiography and will be provided as Hospital services at the current location. (*April 13, 2004, CON Determination*)
5. WCHC provided 4,990 and 3,722 total diagnostic imaging scans in 2001 and 2002, respectively. (*September 3, 2004 CON Application, Attachment 1*)
6. WCHC is staffed by three primary care physicians, one nurse, and one physician assistant. All of the physicians have admitting privileges solely at the Hospital. (*September 3, 2004 CON Application, page 3*)
7. In 2001, WCHC began to be challenged in the delivery of radiological services both through staff availability and managed care restrictions on the delivery of these services within a primary care setting. (*September 3, 2004 CON Application, page 78*)
8. The Hospital's proposal is based on continuing this "one-stop" practice model to provide this patient population with preventative medicine and patient compliance

management through the availability of on-site radiological services. *(September 3, 2004 CON Application, page 2)*

9. The patient population to be served by the Hospital will be primarily the population served through WCHC. *(September 3, 2004 CON Application, page 2)*
10. Dr. Caryn Nesbitt stated that in order to meet the needs of the patient population and continue to serve them in the most appropriate and timely manner, the acquisition and management of WCHC's radiological services in support of women's health by the Hospital is in the best interests of the individuals served. The Hospital has more access to capital to recruit staff and provide state-of-the-art technology in diagnostic imaging. *(September 3, 2004 CON Application, pages 78&79)*
11. Radiology services will be provided through Norwich Diagnostic Imaging Associates, P.C. ("NDIA") under a contractual agreement with the Hospital. NDIA under the leadership of Jeffrey Rudikoff, M.D. provides these same levels of services within the Hospital's Diagnostic Imaging Department and at three satellite Hospital centers throughout eastern Connecticut (in Colchester, Gales Ferry, and Montville). *(September 3, 2004 CON Application, page 3)*
12. The Hospital stated that through the proposed acquisition of the existing practice, the radiology service will gain the benefit of the quality management and expertise offered through the Hospital's Diagnostic Imaging Department. *(September 3, 2004 CON Application, page 3)*
13. The Hospital projects 3,722, 3,871, and 4,026 total diagnostic imaging scans at WCHC in 2005, 2006, and 2007 based on a projected 4% growth in services. *(September 3, 2004 CON Application, Attachment 2)*
14. WCHC's hours of operation shall remain the same with the proposed acquisition: Monday, Wednesday and Friday 8:00 a.m. to 5:00 p.m. and Tuesday and Thursday 8:00 a.m. to 7:00 p.m. *(September 3, 2004 CON Application, page 3)*

**Financial Feasibility of the Proposal and its Impact on the Hospital' Rates and  
Financial Condition  
Impact of the Proposal on the Interests of Consumers of Health Care Services and  
Payers for Such Services**

15. The CON proposal consists of the following total capital expenditure:

**Table 2: Capital Expenditure Components**

<b>Description</b>	<b>Amount</b>
Imaging equipment	\$233,334
Non-Medical equipment	47,200
Construction/Renovation	80,000
Other: Practice Acquisition	164,000
<b>Total Capital Expenditure</b>	<b>\$524,534</b>

*(September 3, 2004 CON Application, page 9)*

16. The Hospital will fund the total capital expenditure through operating funds of the Hospital. *(September 3, 2004 CON Application, page 11)*
17. The Hospital projects excess revenues of \$29,505, \$17,655, and \$39,034 incremental to the proposal for Fiscal Years (FY) 2005, 2006, and 2007, respectively. *(September 3, 2004 CON Application, Attachment 4)*
18. The Hospital will hire 3.9 Full-time Equivalents (i.e. technical and clerical staff) in FY 2005 with the proposed practice acquisition. *(September 3, 2004 CON Application, page 77)*
19. WCHC's current payer mix is 42% government, 55% non-government and 3% uncompensated care. *(September 3, 2004 CON Application, page 13)*
20. The payers for the radiology services will be the same as Dr. Nesbitt's current radiology practice's payer mix. *(April 13, 2004, CON Determination)*
21. The Hospital's rates are sufficient to cover the proposed capital expenditure and operating costs. *(September 3, 2004 CON Application, Attachment 11B)*

## **Consideration of Other Section 19a-637, C.G.S. Principles and Guidelines**

The following findings are made pursuant to other principles and guidelines set forth in Section 19a-637, C.G.S.:

22. There is no State Health Plan in existence at this time. *(September 3, 2004 CON Application, page 2)*
23. The Hospital has adduced evidence that its proposal is consistent with its long-range plans. *(September 3, 2004 CON Application, page 2)*
24. The Hospital's proposal will not result in new or a change to existing teaching and research responsibilities. *(September 3, 2004 CON Application, page 7)*
25. The distinguishing characteristic of the patient/physician mix is the majority of the patient population served by WCHC and proposed to be served by the Hospital is 40-70 years of age with a preference for women's health services provided in a single location. *(September 3, 2004 CON Application, page 3)*
26. The Hospital's proposal will result in no change in the technical, financial and managerial competence of the Hospital to provide efficient and adequate service to the public. *(September 3, 2004 CON Application, Attachment 4)*
27. The Hospital has improved productivity and contained costs through group purchasing, energy conservation, reengineering, and applications of new technology. *(September 3, 2004 CON Application, page 7)*

## Rationale

Women's Care Medical Center ("WCHC") was established thirteen years ago to provide comprehensive primary care services to women age 12 and older in Groton, CT. The William W. Backus Hospital ("Hospital") proposes to acquire the existing radiology services currently provided by WCHC. These radiology services include ultrasound, bone densitometry, mammography and radiography and will be provided as Hospital services at the current location. All of the physicians have admitting privileges solely at the Hospital. Therefore, referral patterns for inpatient and outpatient care will not be impacted by the acquisition of radiology services from WCHC. WCHC has been struggling since 1991 with staff availability and managed care restrictions. The Hospital's proposal is based on continuing this "one-stop" practice model to provide this patient population with preventative medicine and patient compliance management through the availability of on-site radiological services. The patient population to be served by the Hospital will be primarily the population served through WCHC. The Medical Director of WCHC supports the acquisition due to the Hospital's ability to recruit staff and provide state-of-the-art technology in diagnostic imaging. OHCA finds that the proposed practice acquisition will maintain access to quality radiology services for women in the area.

The CON proposal is financially feasible. The proposed total capital expenditure of \$524,534 is the practice acquisition, equipment purchase, and associated renovations, which will be financed through Hospital operations. The Hospital projects excess revenues of \$29,505, \$17,655, and \$39,034 incremental to the proposal for FY 2005, 2006, and 2007, respectively. The payers for the radiology services will be the same as WCHC's current payer mix. OHCA finds that the proposed acquisition will allow for increased accessibility to staff recruitment and technology in a cost-effective environment. Therefore, the Hospital's proposal is in the best interests of consumers and payers.

Based upon the foregoing Findings and Rationale, the Certificate of Need application of the William W. Backus Hospital for the acquisition of radiology services from WCMC is hereby GRANTED.

## Order

The acquisition of radiology services from WCMC, at a total capital expenditure of \$524,534, is hereby authorized subject to the following conditions:

1. The authorization shall expire on September 29, 2005. Should the radiology services acquisition not be completed by that date, the Hospital must seek further approval from OHCA to complete the project beyond that date.
2. The William W. Backus Hospital shall be the license holder and operator of WCHC located at 85 Poheganut Drive in Groton, CT.
3. The Hospital shall limit the services provided at WCHC to the radiology services for women approved herein. If the Hospital proposes in the future to change the scope of services or purchase additional equipment prior OHCA approval may be required.
4. The Hospital shall not exceed the approved capital expenditure of \$524,534. In the event that the Hospital learn of potential cost increases or expects that the final project costs will exceed \$1,000,000, the Hospital shall file with OHCA a request for approval of the revised project budget. The source of funding for the purchase of assets is through debt financing.

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

September 29, 2004

Signed by Cristine A. Vogel  
Commissioner

CAV:km