



Office Of Health Care Access Certificate of Need Application

Final Decision

Applicant: Hartford Hospital

Docket Number: 04-30419-CON

Project Title: Acquisition of a Replacement
Computed Tomography Scanner

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

Filing Date: April 21, 2005

Decision Date: May 20, 2005

Default Date: July 20, 2005

Staff Assigned: Jack A. Huber

Project Description: Hartford Hospital (“Hospital”) proposes to acquire a replacement computed tomography (“CT”) scanner, at a total capital expenditure of \$1,997,631.

Nature of Proceedings: On April 21, 2005, the Office of Health Care Access (“OHCA”) received the Certificate of Need (“CON”) application from Hartford Hospital (“Hospital”) seeking authorization to acquire a replacement computed tomography (“CT”) scanner, at a total capital expenditure of \$1,997,631. The Hospital is a health care facility or institution as defined by Section 19a-630 of the Connecticut General Statutes (“C.G.S.”).

A notice to the public concerning OHCA’s receipt of the Hospital’s Letter of Intent (“LOI”) was published in the *Hartford Courant*, on January 17, 2005, pursuant to Section 19a-639, C.G.S. OHCA received no comments from the public concerning the Hospital’s proposal.

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. Hartford Hospital ("Hospital") is an acute care general hospital located at 80 Seymour Street in Hartford, Connecticut. *(April 21, 2005, CON Application, Page 69)*
2. The Hospital proposes to acquire a replacement computed tomography ("CT") scanner and to renovate existing CT service space to accommodate the replacement unit, at an estimated total capital expenditure of \$1,997,631. *(April 21, 2005, CON Application, Pages 2 and 3)*
3. CT services are currently provided through the operation of three Hospital scanners, as follows: *(April 21, 2005, CON Application, Pages 2 and 3 and May 13, 2005, Additional Information supplied by the Hospital for the CON Application, Page 1)*
 - Two scanners are located in the Hospital's Core Building and are operational sixteen hour daily, seven days a week; and
 - A third scanner is stationed for use in the Hospital's Emergency Department and is operational on a twenty-four hour-a-day, seven days a week basis.
4. The CT scanner that is scheduled for replacement is an eleven year-old unit, which is fully depreciated. It is one of the two units operating in the Core Building. *(April 21, 2005, CON Application, Page 2)*
5. The scanner is a single-slice unit, incapable of completing the full range of diagnostic CT scans, including CT angiography, CT exams of the spine, intracranial scans or scans of the extremities. *(April 21, 2005, CON Application, Page 2)*
6. The need of the Hospital to replace the existing CT scanner is based on the following factors: *(April 21, 2005, CON Application, Page 2 and 3)*
 - To address technological limitations of the existing eleven-year old scanner;
 - To assure that clinical equipment is appropriately replaced in a timely manner in order to assure the continued delivery of high quality health services at the Hospital;
 - To meet current and projected CT service demand; and
 - To address the desirability of providing more advanced CT imaging technology that will improve the diagnosis and treatment of Hospital patients.
7. The Hospital intends to acquire and operate a GE Medical Systems, LightSpeed Vct Scanner System. *(April 21, 2005, CON Application, Page 7 and Pages 89 to 126)*

8. The proposed replacement CT scanner will feature multi-slice and fluoroscopic capabilities that will permit the performance of an entire array of CT imaging procedures with enhanced speed and resolution. This will include imaging of vascular structures, including the heart, coronary and carotid arteries and other anatomy, providing diagnostic detail not previously possible with the current scanner. *(April 21, 2005, CON Application, Page 2)*
9. The Hospital indicates that while the replacement scanner will initially complement other more invasive diagnostic tests, over time this equipment will be substituted for these invasive and higher risk procedures. *(April 21, 2005, CON Application, Page 2)*
10. The actual CT scan volume from FY 2003 to fiscal year-to-date (“FYTD”) 2005, for each of the Hospital’s existing CT scanners and the service as a whole is as follows: *(May 13, 2005, Additional Information supplied by the Hospital for the CON Application, Page 2)*

Table 1: Actual CT Volume for FY 2003 through FYTD 2005

CT Scanner Description	FY 2003	FY 2004	FYTD 2005
Unit Scheduled for Replacement	5,130	5,925	3,674
QXI Unit	9,959	11,502	7,130
ER Unit	14,668	16,484	10,352
CT Service Volume Totals	29,757	33,911	21,156

11. The Hospital’s projected CT scan volume for FY 2005 through FY 2008 with the proposed scanner replacement is as follows: *(May 13, 2005, Additional Information supplied by the Hospital for the CON Application, Page 2)*

Table 2: Projected CT Volume for FY 2005 through FY 2008 with the Proposal

CT Scanner Description	FY 2005	FY 2006	FY 2007	FY 2008
Replacement Unit	6,337	9,896	10,588	11,330
QXI Unit	12,301	9,896	10,588	11,330
ER Unit	17,630	19,015	20,347	21,770
CT Service Volume Totals	36,268	38,807	41,523	44,430
Incremental Volume Between FYs	--	2,539	2,716	2,907

12. The Hospital’s projected CT scanning volumes for FY 2005 through FY 2008 are based on the expectation that volumes will be increasing at an annual rate of approximately seven percent per year. *(May 13, 2005, Additional Information supplied by the Hospital for the CON Application, Page 1)*
13. The anticipated rate of CT volume increase reflects the Hospital’s belief that there will continue to be broad applicability of this technology, as well as the technology being increasingly used in lieu of other less sophisticated diagnostic techniques. *(May 13, 2005, Additional Information supplied by the Hospital for the CON Application, Page 1)*
14. The Hospital does not anticipate any change in the current CT service schedule based on the proposed replacement project. *(May 13, 2005, Additional Information supplied by the Hospital for the CON Application, Page 2)*

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

15. The estimated total capital expenditure of the CON proposal is \$1,997,631. Component project costs include \$1,651,086 for the replacement unit, \$198,773 for building renovation work and \$147,772 for the acquisition of other medical and non-medical equipment. *(April 21, 2005, CON Application, Page 7)*
16. The proposal includes 600 square feet of building renovation work. The proposed building work consists of 380 square feet of renovation to the existing CT scanning room, plus 220 square feet of minor renovations to an adjoining reading area. The proposed building work will provide upgraded and expanded operational and support space for the replacement CT scanner. *(April 21, 2005, CON Application, Pages 7 and 8)*
17. The proposed project schedule is as follows: *(April 21, 2005, CON Application, Page 9)*

Table 4: Proposed Project Schedule

Description	Date
Renovation Commencement Date	June 1, 2005
Renovation Completion Date	July 5, 2005
Operation Commencement Date	August 1, 2005

18. The total capital expenditure for the CON proposal will be financed entirely by an equity contribution from the Hospital's funded depreciation account. *(April 21, 2005, CON Application, Page 9)*
19. The Hospital projects incremental revenue from operations, total operating expense and losses/gains from operations associated with the CON proposal for FY 2005 through FY 2007 as follows: *(April 21, 2005, CON Application, Page 12 and Financial Attachment I, Pages 127 through 131)*

Table 5: Incremental Financial Projections for FY 2004 - FY 2007

Description	FY 2005	FY 2006	FY 2007
Incremental Revenue from Operations	\$83,246	\$698,566	\$768,217
Incremental Total Operating Expense	\$94,865	\$639,595	\$743,745
Incremental (Loss)/Gain from Operations	(\$11,619)	\$58,971	\$24,472

20. The Hospital's projected incremental loss in FY 2005 is primarily due to increasing depreciation expense associated with the new replacement scanner and additional staffing and supply expenses associated with increasing CT service volumes. *(April 21, 2005, CON Application, Page 12 and Financial Attachment I, Pages 127 through 131)*
21. The Hospital's projected payer mix during the first three years of implementation and operation of the replacement CT scanner is as follows: *(April 21, 2005, CON Application, Page 11)*

Table 6: Three-Year Projected Payer Mix with the CON Proposal

Payer Mix	Year 1	Year 2	Year 3
Medicare	46.5%	46.5%	46.5%
Medicaid	9.8%	9.8%	9.8%
TriCare (CHAMPUS)	0.1%	0.1%	0.1%
Total Government	55.5%	55.5%	55.5%
Commercial Insurers	36.2%	36.2%	36.2%
Uninsured	8.3%	8.3%	8.3%
Total Non-Government	44.5%	44.5%	44.5%
Total Payer Mix	100.00%	100.00%	100.00%

22. There is no State Health Plan in existence at this time. *(April 21, 2005, CON Application, Page 2)*
23. The Hospital has adduced evidence that the proposal is consistent with the Hospital's long-range plan. *(April 21, 2005, CON Application, Page 2)*
24. The Hospital has improved productivity and contained costs by undertaking energy conservation measures, employing group purchasing practices and participating in activities involving the application of new technology. *(April 21, 2005, CON Application, Page 5)*
25. The proposal will not result in any change to the Hospital's teaching and research responsibilities. *(April 21, 2005, CON Application, Pages 5 and 6)*
26. The Hospital's patient/physician mix is similar to that of other acute care, teaching and hospitals. The proposal will not result in any change to this mix. *(April 21, 2005, CON Application, Page 6)*
27. The Hospital has sufficient technical, financial and managerial competence and expertise to provide efficient and adequate service to the public. *(April 21, 2005, CON Application, Page 4 and Appendix B, Pages 38 to 67)*
28. The Hospital's rates are sufficient to cover the proposed capital expenditure and operating costs associated with the proposal. *(April 21, 2005, CON Application, Page 12 and Financial Attachment I, Pages 127 through 131)*

Rationale

The Office of Health Care Access (“OHCA”) approaches community and regional need for Certificate of Need (“CON”) proposals on a case by case basis. CON applications do not lend themselves to general applicability due to a variety of factors, which may affect any given proposal; e.g. the characteristics of the population to be served, the nature of the existing services, the specific types of services proposed to be offered, the current utilization of services and the financial feasibility of the proposal.

Hartford Hospital (“Hospital”) is an acute care general hospital located at 80 Seymour Street in Hartford, Connecticut. The Hospital proposes to acquire a replacement computed tomography (“CT”) scanner and to renovate existing CT service space to accommodate the replacement unit, at an estimated total capital expenditure of \$1,997,631.

Computed tomography services are currently provided by the Hospital through three existing CT scanners. The Hospital is proposing to replace its eleven year-old scanner, which is fully depreciated. This unit is a single-slice scanner, incapable of completing the full range of diagnostic CT scans, including CT angiography, CT exams of the spine, intracranial scans or scans of the extremities.

The proposal also includes 600 square feet of building renovation work. The proposed building work consists of 380 square feet of renovation to the existing CT scanning room, plus 220 square feet of minor renovations to an adjoining reading area. The proposed building work will provide upgraded and expanded operational and support space for the replacement CT scanner. Renovation is scheduled to begin in June 2005 with a two month work schedule before completion. The replacement scanner is expected to become operational on August 1, 2005.

The Hospital determined the need to replace the existing CT scanner based on the four following factors:

- To address the technological limitations of the existing eleven-year old CT scanner;
- To assure that clinical equipment is appropriately replaced in a timely manner in order to assure the continued delivery of high quality health services at the hospital;
- To meet current and projected CT service demand; and
- To address the desirability of providing more advanced CT imaging technology that will improve the diagnosis and treatment of Hospital patients.

The Hospital intends to acquire and operate a GE Medical Systems, LightSpeed Vct Scanner System. The replacement scanner will feature multi-slice and fluoroscopic capabilities that will permit the performance of an entire array of CT imaging procedures with enhanced speed and resolution. This will include imaging of vascular structures, including the heart, coronary and carotid arteries and other anatomy, providing diagnostic detail not previously possible with the current unit. The Hospital indicates that while the

replacement scanner will initially complement other more invasive diagnostic tests, over time this equipment will be substituted for these invasive and higher risk procedures. The proposed acquisition of the CT replacement scanner will, therefore, enhance the quality of health care delivery in the region.

The Hospital projects incremental CT service volume increases of 2,539 scans in FY 2006, 2,716 scans in FY 2007 and 2,907 scans in FY 2008 due to the increased operating capacity and new clinical applications that will be attributable to the new replacement scanner. 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 existing computed tomography services in the Hartford region.

The total capital expenditure for the CON proposal is \$1,997,631. The project will be financed entirely through an equity contribution from the Hospital's funded depreciation account. The Hospital projects an incremental loss from operations of \$11,619 in FY 2005 and incremental gains from operations of \$58,971 in FY 2006 and \$24,472 in FY 2007 associated with the project. The Hospital's incremental loss in FY 2005 is primarily due to increasing depreciation expense associated with the replacement scanner and additional staffing and supply expenses associated with increasing CT service volumes. This FY 2005 operating loss is not considered to be significant based on the overall scope of the project. As the Hospital's volume projections and the financial projections upon which they are based appear to be reasonable and achievable OHCA, therefore, 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 Hartford Hospital to acquire a replacement computed tomography scanner and to renovate existing CT service space to accommodate the replacement unit, at a total capital expenditure of \$1,997,631, is hereby GRANTED.

Order

Hartford Hospital ("Hospital") is hereby authorized to acquire a replacement computed tomography ("CT") scanner and to renovate existing CT service space to accommodate the replacement unit, at a total capital expenditure of \$1,997,631, subject to the following conditions:

1. This authorization shall expire on August 1, 2007. Should the Hospital's CT scanner replacement 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 total capital expenditure of \$1,997,631. 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. This authorization requires the removal of the Hospital's 11 year old CT scanner for certain disposition, such as sale or salvage, outside of and unrelated to the Hospital's service provider locations. Furthermore, the Hospital will provide evidence to OHCA of the final disposition of said CT scanner, by no later than three months after the replacement CT scanner has become operational.

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

May 20, 2005

Signed by Cristine A. Vogel
Commissioner

CAV: jah