



Office of Health Care Access Certificate of Need Application

Final Decision

Applicant: Danbury Health Care Affiliates, Inc.

Docket Number: 05-30435-CON

Project Title: Establish and Operate the Ridgefield Imaging Center

Statutory References: Sections 19a-638 19a-639, Connecticut General Statutes

Filing Date: August 3, 2005

Hearing Dates: September 7, 2005 and October 12, 2005

Presiding Officer: Cristine A. Vogel

Intervenor: Northeast Radiology, P.C.

Decision Date: November 22, 2005

Default Date: December 16, 2005 - with 15 and 30-day review period extensions granted.

Staff: Jack A. Huber

Project Description: Danbury Health Care Affiliates, Inc. proposes to establish and operate the Ridgefield Imaging Center, a comprehensive, not-for-profit, outpatient imaging center in Ridgefield, Connecticut, at an estimated total capital project cost of \$5,682,619.

Nature of Proceedings: On August 3, 2005, the Office of Health Care Access (“OHCA”) received from Danbury Health Care Affiliates, Inc., (“Applicant”), a Certificate of Need (“CON”) application seeking authorization to establish and operate the Ridgefield Imaging Center, a comprehensive, not-for-profit, outpatient imaging center in Ridgefield, Connecticut, at an estimated total capital project cost of \$5,682,619. The Applicant is a health care facility or institution as defined by Section 19a-630 of the Connecticut General Statutes (“C.G.S.”).

On August 10, 2005, OHCA issued an Order of Consolidation, pursuant to Sections 19a-638 and 19a-643-21 of the Regulations of Connecticut State Agencies. The Order of Consolidation allows the Certificate of Need (“CON”) applications contained in Docket Number: 04-30393-CON for Danbury Hospital (“Hospital”) and Docket Number: 05-30435-CON for the Danbury Health Care Affiliates, Inc., to be consolidated for the purposes of conducting a batched public hearing.

A public hearing regarding the CON application was held on September 7, 2005, and continued on October 12, 2005. The Applicant was notified of the date, time, and place of the proceeding and a notice to the public was published on August 9, 2005, in *The News-Times* of Danbury. Commissioner Cristine A. Vogel served as Presiding Officer for this case. The hearing was conducted as a contested case in accordance with the provisions of the Uniform Administrative Procedure Act (Chapter 54 of the Connecticut General Statutes) and Sections 19a-638 and 19a-639, C.G.S.

Northeast Radiology, P.C., petitioned for intervenor status in the proceeding. The Hearing Officer granted intervenor status to Northeast Radiology, P.C. with the right to cross-examine. On October 28, 2005, pursuant to Section 19a-639(b), C.G.S., OHCA granted the Applicant’s request for an extension of the 90 day review period concerning the CON application. The 90 day review period was extended by 15 days, from November 1, 2005, to November 16, 2005. On November 15, 2005, pursuant to Section 19a-639(b), C.G.S., OHCA invoked an additional 30 day extension of the review period default date. The review period default date was extended by 30 days, from November 16, 2005 to December 16, 2005.

The Presiding Officer heard testimony from witnesses for the Applicant and the Intervenor. In rendering this decision, the Presiding Officer considered the entire record of the proceeding. OHCA’s authority to review, approve, modify or deny this proposal 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 considered by OHCA in its review.

Findings of Fact

Clear Public Need

Contribution of the Proposal to the Quality and Accessibility of Health Care Delivery in the Region

Impact on the Applicant’s Current Utilization Statistics

Impact of the Proposal on the Interests of Consumers and Payers of Health Care Services

1. Danbury Health Care Affiliates, Inc., (“Applicant”) is a tax-exempt, non-stock Connecticut Corporation, located at 24 Hospital Avenue in Danbury, Connecticut. (*June 8, 2005, CON Application, page 1 and March 1, 2005, Fiscal Year 2004 Annual Reporting of Danbury Hospital, Docket Number: 04-0124AR, Danbury Health Systems, Inc., Chart of Organization*)

2. Danbury Health Systems, Inc., (“DHS”) is the parent company of the Applicant and Danbury Hospital (“Hospital”). *(February 4, 2005, CON Letter of Intent, page 1 and March 1, 2005, Fiscal Year 2004 Annual Reporting of Danbury Hospital, Docket Number: 04-0124AR, Danbury Health Systems, Inc., Chart of Organization)*
3. The Hospital is an acute care general hospital located at 24 Hospital Avenue in Danbury, Connecticut. *(February 4, 2005, CON Letter of Intent, page 1 and March 1, 2005, Fiscal Year 2004 Annual Reporting of Danbury Hospital, Docket Number: 04-0124AR, Danbury Health Systems, Inc., Chart of Organization)*
4. The Applicant currently operates Danbury Diagnostic Imaging (“DDI”), a comprehensive, freestanding, not-for-profit, outpatient diagnostic and women’s imaging center at 20 Germantown in Danbury. *(February 2, 2000, Final Decision, Docket Number: 99-549, page s 8 & 9, and June 8, 2005, CON Application, page 4)*
5. The Applicant is proposing to establish and operate the Ridgefield Imaging Center (“RIC”), a comprehensive, not-for-profit, outpatient imaging facility in an existing medical office building located at 901 Ethan Allen Highway in Ridgefield, Connecticut. *(February 4, 2005, CON Letter of Intent, page 2 and June 8, 2005, CON Application, pages 1 through 5)*
6. The RIC will provide the following modalities with state-of-the-art equipment: magnetic resonance imaging (“MRI”), computed tomography (“CT”) imaging, ultrasound, diagnostic radiological, mammography and bone densitometry. *(February 4, 2005, CON Letter of Intent, page 10 and June 8, 2005, CON Application, page 2)*
7. All diagnostic imaging modalities will be digital allowing linkage with the Danbury Hospital enterprise-wide PACS system. The system permits authorized physicians to have web access to patient information including images and findings from all locations (i.e. hospital, office or home). *(September 1, 2005, Prefile Testimony of Thorsten Krebs, M.D., Chairman of the Danbury Hospital Department of Radiology, pages 1, 2 & 4)*
8. An integrated women’s imaging service will be offered. The RIC will be the first service in western Connecticut to offer full-field digital mammography. *(September 1, 2005, Prefile Testimony of Thorsten Krebs, M.D., Chairman of the Danbury Hospital Department of Radiology, page 4)*
9. The RIC will occupy approximately 8,288 square feet of space on the first floor of the medical office building. The building is the site of the following health services: *(June 8, 2005, CON Application, pages 5 & 11 and Attachment 11.B., page 911 and September 27, 2005, OHCA Final Decision, Docket Number: 04-30383-CON regarding the Ridgefield Surgical Center)*
 - Offices for physicians practicing in the Ridgefield/Danbury area; and
 - Ridgefield Surgical Center (“RSC”), which is scheduled to become operational in May 2006.
10. The proposed primary service area (“PSA”) includes the Connecticut towns of Ridgefield and Redding. Secondary service area includes Wilton, CT and the New York towns of North Salem and South Salem. *(June 8, 2005, CON Application, page 2 and Attachment 4.A.i.a., page 17)*

11. Sections 19a-634 and 19a-637, C.G.S. specifically mandate that OHCA consider the availability, scope and need for services for the residents of Connecticut. As such, OHCA can not consider out-of-state services in its evaluation of need for new health services.
12. The proposal was developed to ensure access to high quality, outpatient imaging services that will serve the needs of the following: *(June 8, 2005, CON Application, page 4)*
 - Residents of Ridgefield and surrounding towns;
 - Surgeons who will be performing ambulatory procedures at the RSC; and
 - Physicians who will be referring their patients to the proposed service and have or will be establishing their practices within or in close proximity to the proposed medical building site.
13. The Applicant based the need for the proposal on the following factors: *(February 4, 2005, CON Letter of Intent, page 9, June 8, 2005, CON Application, page 16a and September 7, 2005, Prefile Testimony of Frank Kelly, President and CEO of Danbury Health Care Affiliates, Danbury Hospital and Danbury Health Systems, pages 1 through 3)*
 - The continuing increase in population growth, especially in the following age cohorts - 45 to 64 years and at or above 65 years of age;
 - The continuing growth in Danbury Hospital's market share in the greater Ridgefield area;
 - Actual growth in outpatient imaging services at the Applicant's DDI operation and at the Hospital's imaging service operation, both of whom are currently approaching capacity;
 - The anticipated growth of outpatient imaging services for the residents of the proposed service area;
 - The availability of imaging services and the provision of continuity of care for patients seen by RSC surgeons and area physician practitioners;
 - The continuing shift to more convenient non-emergent, outpatient services for the residents of the proposed service area; and
 - The need for additional space devoted to outpatient diagnostic and imaging services in a more convenient, accessible and lower cost environment.
14. The Applicant provided the following actual and projected population figures by primary service area town. *(June 8, 2005, CON Application, page 2 & Attachment 4.A.i.a., page 16 and August 3, 2005, Second Applicant Completeness Response, page 4)*

Table 1: Actual and Projected Service Area Population*

Population Data	FY 2001	FY 2006	FY 2007	FY 2008
Ridgefield	23,972	25,307	25,560	25,816
Redding	8,341	8,628	8,714	8,801
Total Service Area	32,313	33,395	34,274	34,617

*Population data was provided from information the Applicant received through Environmental Systems Research Institute ("ESRI") Data. The assumptions used in the formulation of the population figures could not be verified due to the proprietary nature of this data.

15. The Applicant indicates that no current method exists to calculate and accurately assess market share statistics for outpatient imaging services. (*June 8, 2005, CON Application, page 16a*)
16. The Applicant's Chief Operating Officer ("COO") indicates the following regarding market share characteristics of the Applicant and Hospital: (*September 1, 2005, Prefile Testimony of Keith Hovan, COO of Danbury Health Care Affiliates, Inc. and Danbury Hospital, page 3*)
- The Applicant and Hospital currently capture approximately 71% of the inpatient market share in Ridgefield; and
 - Only 17% of the market share for imaging services for Ridgefield residents is being captured by the Applicant and Hospital.
17. DDI's outpatient imaging service volumes for the last three fiscal years are as follows: (*August 3, 2005, Second Applicant Completeness Response, page 1*)

Table 2: DDI's Actual Service Volumes

Imaging Modality	FY 2002	FY 2003	FY 2004
MRI Scanning	2,673	3,910	3,915
CAT Scanning	2,302	4,425	4,897
Ultrasound	904	1,781	2,303
Diagnostic Imaging	1,519	4,077	4,461
Mammography	434	63	0
DEXA	111	20	0
Annual Service Volume Total	7,943	14,276	15,576

18. Danbury Hospital's imaging service volumes for the last three fiscal years are as follows: (*August 3, 2005, Second Applicant Completeness Response, page 2*)

Table 3: Hospital's Actual Service Volumes

Imaging Modality	FY 2002	FY 2003	FY 2004
MRI Scanning	7,181	6,823	7,939
CAT Scanning	22,854	23,813	28,676
Ultrasound	10,735	11,037	11,081
Diagnostic Imaging	56,698	56,889	56,867
Mammography	9,469	10,287	9,736
Bone Densitometry	2,429	2,850	2,829
Annual Service Volume Total	109,366	111,699	117,128

19. The RIC will provide imaging services to the following area physicians: (*September 1, 2005, Prefile Testimonies of Frank Kelly, President and CEO of Danbury Health Care Affiliates, page 2, Keith Hovan, COO of Danbury Health Care Affiliates, pages 3 & 4 and Simon O'Regan, M.D., Medical Director, Ridgefield Primary Care, pages 1 & 2*)
- Surgeons affiliated with Danbury Hospital - Approximately 25 physicians who will be performing the majority of the surgical procedures at RSC; of which:
 - Four of the top fifteen physicians are orthopedic surgeons, who referred patients to the Hospital and its affiliates that resulted in 1,417 MRI exams performed in FY 2004; and

- Four of the top fifteen physicians are urologists, who referred patients to the Hospital and its affiliates that resulted in 1,285 CT exams performed in FY 2004.
 - Ridgefield physician groups affiliated with Danbury Hospital
 - Regional Heart and Vascular Center – a seven member physician group;
 - Advanced Specialty Care, PC, - a thirteen member ENT physician group; and
 - Ridgefield Primary Care – a five member physician group, which currently treats 10,000 patients with an estimated potential to request approximately 13,750 imaging procedures per year.
 - Letters of commitment to the proposal were received from each group.
 - Additional efforts will be made to recruit additional physicians to the Ridgefield area.
20. There are no existing outpatient full-service imaging providers in the proposed service area. *(June 8, 2005, CON Application, page 3 and September 1, 2005, Prefile Testimony of Frank Kelly, President and CEO of Danbury Health Care Affiliates, Danbury Hospital and Danbury Health Systems, page 2)*
21. The existing MRI service providers in Danbury, by service provider, scanner type and service volume are as follows: *(August 3, 2005, Second Applicant Completeness Response, page 6 and September 2, 2005, Prefile Testimony of Scott Nadel, M.D., President of Northeast Radiology, page 2)*

Table 4: MRI Service Providers in Danbury

MRI Provider	Make	Model	Magnet Strength	FY 2004 Actual Volume	FY 2006 Projected Volume
Housatonic Valley Radiological Assoc.'s	Siemens	Magnetom	1.0 T	1,812	3,446
Danbury Hospital: Unit 1	GE	Signa Echo	1.5 T	7,939**	8,886**
Danbury Hospital: Unit 2 – Interim Use	GE	Signa Excite	1.5T	--	--
Unit 2 – operational date of Aug. 2005	GE***	Signa High-Speed	3.0 T	--	--
Danbury Diagnostic Imaging	Philips	Gyro Scan	1.5 T	3,915	4,348
Northeast Radiology	Extremity	Fixed-Open	1.0 T		

* Data was obtained from HVRA CON Application DN: 04-30331-CON.

** Combined volume for both Hospital units, inclusive of the mobile interim MRI unit.

*** Hospital Unit 2, GE, Signa High-Speed, 3.0 T became operational in August 2005.

22. The Applicant does not expect the proposal will have an adverse effect on other imaging providers due to the factors relating to the continued growth in patient demand for outpatient imaging services in the proposed service area. *(June 8, 2005, CON Application, pages 4 & 16a)*
23. The Applicant's service volume projections by imaging modality for the proposed service is as follows: *(September 1, 2005, Prefile Testimony of Thorsten Krebs, M.D., Chairman of the Department of Radiology at Danbury Hospital, page 2)*

Table 5: Proposed Imaging Center's Projected Service Volumes

Imaging Modality	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
MRI Scanning	362	1,926	2,391	2,804	3,288
CT Scanning	555	2,896	3,703	4,435	5,295
Ultrasound	361	1,750	2,077	2,311	2,562
Diagnostic Imaging	1,149	5,461	6,359	6,937	7,543
Mammography	893	4,578	5,748	6,763	7,930
Bone Densitometry	89	427	502	553	608
Total # Procedures	3,409	17,038	20,780	23,803	27,226

24. Northeast Radiology, PC, testified to the Applicant's approach in justifying the need for the proposed imaging center as follows: *(September 2, 2005, Prefile Testimony of Scott Nadel, M.D., President of Northeast Radiology, pages 1 thru 6 and September 7, and October 12, 2005, Public Hearing, Testimony of Scott Nadel, M.D., President of Northeast Radiology)*
- The Applicant did not substantiate a need for the proposed center;
 - The Applicant did not substantiate a need for any of the specified pieces of imaging equipment;
 - The Applicant did not acknowledge existing area providers;
 - The Applicant failed to demonstrate that existing providers and approved, but not-yet-operational providers cannot accommodate current and projected service volumes; and
 - The proposed imaging center will place existing providers such as NER at risk of closure.
25. Northeast Radiology did not present utilization statistics or financial information, which documents its assertion that the Applicant's proposal will place NER or any of its operations at risk of closure. *(September 7, 2005, Public Hearing, Testimony of Scott Nadel, President of Northeast Radiology upon cross-examination by Attorney Theodore Tucci, Robinson and Cole, LLP, counsel for the Applicant)*
26. The RIC will initially operate on a 56 hour-per-week basis. The proposed daily operating schedule is as follows: *(June 8, 2005, CON Application, page 3 & Attachment 4.A.i.f., page 19)*
- Monday through Friday - 8:00 am. to 6:00 pm.;
 - Saturday - 8:00 am. to 2:00 pm.; and
 - Sunday - No scheduled hours.
27. The RIC will contract with Danbury Radiological Associates, P.C. ("DRA"), for professional services. DRA will provide fully licensed, board-certified radiologists, most with additional fellowship and/or further academic experience and credentials. *(June 8, 2005, CON Application, pages 5 & 10)*
28. The RIC radiologists have had experience in attaining and maintaining American College of Radiology Accreditation in subspecialty areas and will seek such accreditations for the proposed imaging services site. *(June 8, 2005, CON Application, page 5)*

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

29. The proposal's total capital project cost is \$5,682,619, which does not include \$105,228 in capitalized financing cost. An itemization of the capital project cost is as follows: *(June 8, 2005, CON Application, pages 11 & 12)*

Table 6: Capital Project Cost Itemization

Description	Cost
Building Renovation Work Cost	\$1,556,400
Architectural & Engineering Costs	\$151,561
Contingency Costs	\$307,944
Other Costs: Facade	\$88,140
Inflation Adjustment Cost	\$70,974
Capital Expenditure Subtotal	\$2,175,019
Medical Equipment (Lease Expense (FMV*))	\$225,000
Imaging Equipment (Lease Expense (FMV))	\$3,152,600
Non-Medical Equipment (Lease Expense (FMV))	\$130,000
Capital Cost Subtotal	\$3,507,600
Total Capital Project Cost without Capitalized Financing Cost	\$5,682,619
Capitalized Financing Cost**	\$105,228
Total Capital Project Cost with Capitalized Financing Cost	\$5,787,847

* FMV = The fair market value assigned to a given category of leased items in dollars.

** The dollar amount attributable to the project's capitalized financing cost is provided for informational purposes only.

30. The proposed project schedule is as follows: *(June 8, 2005, CON Application, page 9)*

Table 7: Project Schedule

Description	Date
Renovation Commencement Date	Upon CON Approval
Renovation Completion Date	9 Months After Commencement
Operation Commencement Date	Upon Renovation Completion

31. The total capital expenditure will be financed entirely through an equity contribution from the Applicant. *(June 8, 2005, CON Application, page 13)*
32. The Applicant will lease the proposed imaging equipment at a monthly expense of \$67,812 for a period of five years. *(June 8, 2005, CON Application, pages 12 & 13)*
33. The Applicant projects incremental revenue from operations, total operating expense and (loss)/gain from operations associated with the CON proposal for FY 2006 through FY 2008 as follows: *(June 8, 2005, CON Application, page 15 & Attachment 14.B.i., page 989)*

Table 8: Incremental Financial Projections

Description	FY 2006	FY 2007	FY 2008
Incremental Revenue from Operations	\$883,448	\$5,056,249	\$6,943,764
Incremental Total Operating Expense	\$965,249	\$4,189,465	\$5,150,331
Incremental (Loss)/Gain from Operations	(\$81,801)	\$866,784	\$1,793,433

34. The RIC will provide imaging services to all patients regardless of their ability to pay in accordance with the Hospital's charity care policy. *(June 8, 2005, CON Application, page 4 and September 7, 2005, Prefile Testimony of Frank Kelly, President and CEO of Danbury Health Care Affiliates, Danbury Hospital and Danbury Health Systems, page 3)*
35. The projected payer mix for the first three operating years is as follows: *(June 8, 2005, CON Application, page 14)*

Table 9: Projected Payer Mix

Payer	Year 1	Year 2	Year 3
Medicare	25.9%	25.9%	25.9%
Medicaid	0.6%	0.6%	0.6%
TriCare (CHAMPUS)	0.1%	0.1%	0.1%
Total Government	26.6%	26.6%	26.6%
Commercial Insurers	65.7%	65.7%	65.7%
Uninsured	4.7%	4.7%	4.7%
Workers Compensation	3.0%	3.0%	3.0%
Total Non-Government	73.4%	73.4%	73.4%
Total Payer Mix	100%	100%	100%

36. There is no State Health Plan in existence at this time. *(June 8, 2005, CON Application, page 2)*
37. The Applicant has adduced evidence that the proposal is consistent the Applicant's and DHS's strategic plan of becoming a regional health provider. *(June 8, 2005, CON Application, page 2)*
38. The Applicant has improved productivity and contained costs by undertaking energy conservation measures and employing group purchasing practices. *(June 8, 2005, CON Application, page 7)*
39. The proposal will not result in any change to the Applicant's teaching and research responsibilities. *(June 8, 2005, CON Application, page 8)*
40. The Applicant's patient/physician mix is similar to that of other not-for-profit, outpatient imaging centers. The proposal will not result in any change to this mix. *(June 8, 2005, CON Application, page 9)*
41. The Applicant has sufficient technical, financial and managerial competence and expertise to provide efficient and adequate service to the public. *(June 8, 2005, CON Application, page 6 and Attachment 5C, pages 139 through 193)*

42. The Applicant's proposed rates are sufficient to cover the anticipated capital expenditure and operating costs associated with the proposal. (*June 8, 2005, CON Application, page 15 and Attachment 14Bi, page 989*)

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.

Danbury Health Care Affiliates, Inc. ("Applicant") is a tax-exempt, non-stock Connecticut Corporation, located at 24 Hospital Avenue in Danbury Connecticut. Danbury Health Systems, Inc., ("DHS") is the parent company of the Applicant and Danbury Hospital ("Hospital"), an acute care general hospital located at 24 Hospital Avenue in Danbury. The Applicant currently operates Danbury Diagnostic Imaging ("DDI"), a comprehensive, not-for-profit, outpatient imaging center in the Germantown section of Danbury.

The Applicant is proposing to establish and operate a comprehensive, not-for-profit, outpatient imaging center in Ridgefield to be known as the Ridgefield Imaging Center ("RIC"). The RIC will provide the following complement of diagnostic imaging modalities with state-of-the-art equipment: magnetic resonance imaging, computed axial tomography imaging, ultrasound, diagnostic radiology, mammography, and bone densitometry services. The Center will contract with Danbury Radiological Associates, P.C., for professional services. An integrated women's imaging service will be offered, which will be the first service in western Connecticut to perform full-field digital mammography. The RIC will initially operate on a 5 work day, 56 hours-per-week schedule. The proposed service area includes Ridgefield, Redding and Wilton. The RIC will occupy approximately 8,288 square feet of existing space on the first floor of an existing medical office building located at 901 Ethan Allen Highway in Ridgefield.

The Applicant is proposing to establish the RIC to ensure access to high quality outpatient imaging services that will serve the current and future needs of the following: Ridgefield area residents, surgeons who will be performing ambulatory procedures at the Ridgefield Surgical Center and physicians who have or will be establishing their practices within or in close proximity to the proposed service building site. The proposal is part of the Applicant's strategic plan to deliver health care services as a regional health provider. As a regional provider, the Applicant believes that need currently exists for additional space devoted to outpatient imaging services that is more convenient and accessible for Ridgefield area residents and that could be provided in a lower cost environment.

While the Applicant indicates that no current method exists to calculate and accurately assess market share statistics for outpatient imaging services, Ridgefield residents appear to choose the Applicant and the Hospital for their health care services. The Applicant and the Hospital

currently serve approximately 70% of the Ridgefield population when inpatient market share is considered. The market share for outpatient imaging services for Ridgefield area residents is approximately 17%. Consequently, the Applicant believes that the proposed service site is conducive for outpatient imaging service development, especially as the emphasis for such services continues to shift to more accessible and convenient, non-emergent service locations.

The Applicant has established a committed patient referral base for the proposed imaging service. The RIC will be located adjacent to approximately 25 surgeons who will be performing the majority of ambulatory surgical procedures at the Ridgefield Surgical Center, scheduled to become operational in May 2006. Further, there will be approximately 25 physicians who will be referring their patients for imaging services to the proposed RIC. Each of these physicians is associated with one of the three Ridgefield group practices, whose offices are either located at the proposed imaging service building or in close proximity to the service building site. Letters of commitment have been received from each of these groups. Further efforts will be made to recruit additional physicians to the proposed service area.

Annual volumes for imaging services have been increasing at DDI and the Hospital in recent years with service volumes at each currently reaching capacity. Between fiscal years ("FYs") 2002 and 2004 total service volumes for all imaging modalities has increased 96% at DDI, from 7,943 exams to 15,576 exams. For the same time period total service volumes for all imaging modalities at the Danbury Hospital have increased 7% from 109,366 to 117,128 exams. The Applicant projects that imaging services will continue to grow annually as patient and doctor preferences continue to influence the shift of these services to outpatient centers. Annual service volumes for the complement of imaging modalities proposed are projected to increase significantly after start-up operations in year one. With completion of operating year two, projected annual service volumes will moderate and increase on average approximately 15% per year in the aggregate for all imaging modalities.

Based on the above findings, the proposed imaging center will allow the Applicant to provide comprehensive, outpatient imaging services in a freestanding, cost-effective setting with an established referral patient base. OHCA concludes that the implementation of the CON proposal will result in enhanced quality and accessibility for outpatient imaging services to the residents within the Ridgefield service area.

The proposal's total capital project cost is \$5,682,619. It consists of \$2,175,019 in capital expenditures for renovation work and \$3,507,600 in capital costs, which represents the fair market value of the proposed leased equipment. The capital expenditure will be entirely financed through an equity contribution from the Applicant. The Applicant projects an operating gain of approximately \$867,000 and \$1,793,000, respectively, for the second and third years of the Center's operation. The operating gains in each fiscal year appear to be both reasonable and achievable based on the projected imaging volumes. A projected first year incremental operating loss of approximately \$81,801 is primarily related to the start-up and the operating expenses associated with procuring supplies. The RIC will provide imaging services to all patients regardless of their ability to pay in accordance with the Hospital's charity care policy. Consequently, OHCA concludes that the proposal is financially feasible and cost effective.

Based on the foregoing Findings of Fact and Rationale, the Certificate of Need request of Danbury Health Care Affiliates, Inc., to establish and operate the Ridgefield Imaging Center in Ridgefield, CT, at an estimated total capital project cost of \$5,682,619, is hereby GRANTED.

Order

Danbury Health Care Affiliates, Inc., (“Applicant”) is hereby authorized to establish and operate the Ridgefield Imaging Center (“RIC”) in Ridgefield, Connecticut, at an estimated total capital project cost of \$5,682,619, subject to the following conditions:

1. This authorization shall expire on September 30, 2007, unless the Applicant presents evidence to OHCA that the imaging center has commenced operations by that date.
2. The Applicant shall not exceed the approved total capital project cost of \$5,682,619. 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. The Applicant is authorized to acquire the following medical equipment systems for the RIC:
 - One 1.5 Tesla-strength, whole body magnetic resonance imaging system;
 - One high-speed computed tomography imaging system;
 - One digital ultrasound system;
 - One digital radiography system;
 - One digital mammography system; and
 - One bone densitometer system.

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

November 22, 2005

Signed by Cristine A. Vogel
Commissioner