



Office Of Health Care Access Certificate of Need Application

Final Decision

Applicant: Jefferson X-Ray Group P.C.

Docket Number: 05-30468-CON

Project Title: Acquisition of a Replacement
Computed Tomography Scanner

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

Filing Date: July 11, 2005

Decision Date: August 2, 2005

Default Date: October 9, 2005

Staff Assigned: Ronald A. Ciesones

Project Description: Jefferson X-Ray Group, P.C. (“Applicant”) proposes to acquire a replacement computed tomography (“CT”) scanner, at a total capital cost of \$1,355,934, which includes \$900,000 in lease financing for the CT scanner.

Nature of Proceedings: On July 11, 2005, the Office of Health Care Access (“OHCA”) received the Certificate of Need (“CON”) application from Jefferson X-Ray Group, P.C. (“Applicant”) seeking authorization to acquire a replacement computed tomography (“CT”) scanner, at a total capital cost of \$1,355,934 which includes \$900,000 in lease financing for the CT scanner. The Applicant 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 Applicant’s Letter of Intent (“LOI”) was published in the *Hartford Courant*, on May 8, 2005, pursuant to Section 19a-639, C.G.S. OHCA received no comments from the public concerning the Applicant’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. Jefferson X-Ray Group, P.C. ("Applicant") is a radiology practice located at 1260 Silas Deane Highway, Wethersfield, Connecticut. *(July 11, 2005, CON Application, Page 10)*
2. The Applicant proposes to acquire a replacement computed tomography ("CT") scanner and to renovate newly leased space to accommodate the replacement CT unit. *(July 11, 2005, CON Application, Page 20 & 21)*
3. CT services at this location are currently provided through the operation of a single slice CT scanner. *(July 11, 2005, CON Application, Page 10)*
4. The CT scanner that is scheduled for replacement is a six year old unit, which was financed through an operating lease which expired in October 2004, and is currently on a month to month arrangement. This unit is a single-slice scanner, which is at the end of its useful life and does not offer state-of-the-art-features and functionality. *(July 11, 2005, CON Application, Page 10)*
5. The Applicant based the need to replace the existing CT scanner on the following factors: *(July 11, 2005, CON Application, Page 11)*
 - The current scanner is beyond its useful life and has limited functionality;
 - CT volume has experienced steady growth over the past few years and is expected to continue increasing due to the aging population and new uses for multi-slice CT;
 - CT scanning has evolved significantly since the acquisition of the existing CT scanner, and the replacement equipment will be both cost effective and improve the quality of patient care; and
 - Provision of more advanced CT imaging technology to the Applicant's patients.
6. The Applicant intends to acquire and operate a GE Medical Systems, LightSpeed Pro Scanner System. *(July 11, 2005, CON Application, Page 238 to 250)*

7. The proposed replacement CT scanner will feature multi-slice capabilities and will feature better image quality, faster scanning time, thinner sliced scans, and the ability of the provider to offer CT angiography. The proposed scanner will provide enhanced imaging of vascular structures including the heart, coronary arteries, and other anatomy not currently possible on the existing equipment. *(July 11, 2005, CON Application, Page 10)*
8. The current CT will remain in operation until the new unit is installed and operational. *(July 11, 2005, CON Application, Page 21)*
9. The actual CT scan volume from FY 2001 through FY 2004 for the Applicant's existing CT scanner and the percentage increase is as follows: *(July 11, 2005, CON Application, Page 12)*

Table 1: Actual CT Volume for FY 2001 through FY 2004

CT Scanner Description	FY 2001	FY 2002	FY 2003	FY 2004
CT Scans	2,948	3,764	4,103	4,226
Total % Increase from FY 2001				43%

10. The Applicant's projected CT scan volume for FY 2005 through FY 2008 with the proposed CT scanner replacement is as follows: *(July 11, 2005, CON Application, Page 260)*

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	4,250	4,376	5,000	5,250
Incremental Volume Between FYs	--	126	750	1,000

11. The Applicant's projected CT scanning volumes for FY 2005 through FY 2008 are based on the following expectations: *(July 11, 2005, CON Application, Page 15 and Page 260)*
 - The current scanner performs 17 scans per day on average;
 - CT volume has been increasing historically (14% per year between 2001 and 2004) and is expected to continue growing to approximately 10% per year between 2005 and 2007;
 - Due to the improved processing speeds of the proposed CT scanner, volumes are projected to increase by 2 exams per day in the first 3 months, to 19 per day, and this increase is expected to continue to 20 exams per day in Year 2 and 21 exams per day in year 3; and
 - It is assumed there are 250 working days per year.

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

12. The estimated total capital expenditure of the CON proposal is \$1,355,934. Component project costs include \$900,000 for the replacement CT unit, \$391,380 for building renovation work and \$64,544 for the acquisition of other medical and non-medical equipment. *(July 11, 2005, CON Application, Page 20)*
13. The proposed CT scanner will be located in newly leased space adjacent to the space currently leased for the existing CT scanner and includes 2,270 square feet of building renovation work. The current CT scanner room will be used as a reading room. *(July 11, 2005, CON Application, Page 21)*
14. The total capital cost of \$1,355,934 for the CON proposal will be financed through an equity contribution from the Applicant of \$455,934 and the remaining \$900,000 will be lease financed. *(July 11, 2005, CON Application, Page 22)*
15. The proposed project schedule is as follows: *(July 11, 2005, CON Application, Page 21)*

Table 3: Proposed Project Schedule

Description	Date
Construction Commencement Date	Upon OHCA Approval
Construction Completion Date	September 2005
Commencement of Operation Date	October 3, 2005

16. The Applicant 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: *(July 11, 2005, CON Application, Page 258)*

Table 4: Incremental Financial Projections for FY 2004 - FY 2007

Description	FY 2005	FY 2006	FY 2007
Incremental Revenue from Operations	\$48,510	\$288,750	\$385,000
Incremental Total Operating Expense	\$54,299	\$179,325	\$286,513
Incremental (Loss)/Gain from Operations	(\$5,789)	\$109,425	\$98,487

17. The Applicant's projected incremental loss in FY 2005 is primarily due to start up expenses of the new replacement CT scanner *(July 11, 2005, CON Application, Page 24)*
18. The Applicant's projected payer mix during the first three years of implementation and operation of the replacement CT scanner is as follows: *(July 11, 2005, CON Application, Page 23)*

Table 5: Three-Year Projected Payer Mix with the CON Proposal

Payer Mix	Year 1	Year 2	Year 3
Medicare	40.3%	40.3%	40.3%
Medicaid	.9%	.9%	.9%
TriCare (CHAMPUS)	0.0%	0.0%	0.0%
Total Government	41.2%	41.2%	41.2%
Commercial Insurers	58.2%	58.2%	58.2%
Uninsured	.4%	.4%	.4%
Workers Compensation	.3%	.3%	.3%
Total Non-Government	58.8%	58.8%	58.8%
Total Payer Mix	100.00%	100.00%	100.00%

19. There is no State Health Plan in existence at this time. *(July 11, 2005, CON Application, Page 11)*
20. The Applicant has adduced evidence that the proposal is consistent with the Applicant's long-range plan. *(July 11, 2005, CON Application, Page 11)*
21. The Applicant has improved productivity and contained costs by employing group purchasing practices and the application of new technology. *(July 11, 2005, CON Application, Page 19)*
22. The proposal will not result in any change to the Applicant's teaching and research responsibilities. *(July 11, 2005, CON Application, Page 19)*
23. The proposal will not result in any change to the Applicant's patient/physician mix. *(July 11, 2005, CON Application, Page 19)*
24. The Applicant has sufficient technical, financial and managerial competence and expertise to provide efficient and adequate service to the public. *(July 11, 2005, CON Application, Page 17 and Pages 81 to 226)*
25. The Applicant's rates are sufficient to cover the proposed capital expenditure and operating costs associated with the proposal. *(July 11, 2005, CON Application, Page 24 and Pages 262 through 263)*

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.

Jefferson X-Ray Group, P.C., (“Applicant”) is a radiology practice with several offices including one located at 1260 Silas Deane Highway, Wethersfield, Connecticut. The Applicant proposes to acquire a replacement computed tomography (“CT”) scanner and to renovate newly leased space to accommodate the replacement unit for the Wethersfield office.

Computed tomography services are currently provided by the Applicant at the Wethersfield office. The Applicant is proposing to replace its existing six year-old scanner which was financed through an operating lease which expired in October 2004 and is currently on a month to month arrangement. This unit is a single-slice scanner which is at the end of its useful life and does not offer state of the art features and functionality.

The Applicant determined the need to replace the existing CT scanner based on several factors. The current scanner is beyond its useful life and has limited functionality. Also, CT scanning technology has evolved significantly since the acquisition of the existing CT scanner making replacement equipment more cost effective while also increasing the quality of patient care. In addition, there has been steady growth in CT volume over the past few years which is expected to continue due to the aging population and new uses for multi-slice CT scanners.

The Applicant intends to acquire and operate a GE Medical Systems, LightSpeed Pro Scanner System. The proposed CT scanner will feature multi-slice capabilities and feature better image quality, faster scanning time, thinner sliced scans, and the ability of the provider to offer CT Angiography. The new scanner will also provide enhanced imaging of vascular structures including the heart, coronary arteries, and other anatomy not currently possible on the existing equipment. The current CT scanner will remain in operation until the new unit is installed and operational.

The Applicant projects incremental CT service volume increases of 126 scans in FY 2006, 750 scans in FY 2007 and 1,000 scans in FY 2008 due to the improved processing speeds of the proposed CT scanner and continued increased demand. 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 proposed CT scanner will be located in newly leased space adjacent to the current space leased by the Applicant and includes 2,270 square feet of building renovation work. The current CT scanner room will be used as a reading room. Renovation is scheduled to begin in August 2005 with a two month work schedule before completion. The replacement scanner is expected to become operational on October 3, 2005.

The total capital cost for the CON proposal is \$1,355,934. The project will be financed through an equity contribution from the Applicant of \$455,934 and the remaining \$900,000 will be lease financed. The Applicant projects an incremental loss from operations of (\$5,789) in FY 2005 and incremental gains from operations of \$109,425 in FY 2006 and \$98,487 in FY 2007 associated with the project. The Applicant's incremental loss in FY 2005 is primarily due to start up expenses with the replacement CT scanner. This FY 2005 operating loss is not considered to be significant based on the overall scope of the project. The Applicant'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 Jefferson X-Ray Group P.C. to acquire a replacement computed tomography scanner at a total capital cost of \$1,355,934, is hereby GRANTED.

Order

Jefferson X-Ray Group, P.C. (“Applicant”) is hereby authorized to acquire a replacement computed tomography (“CT”) scanner at a total capital cost of \$1,355,934, which includes \$900,000 in lease financing, subject to the following conditions:

1. This authorization shall expire on October 3, 2007. Should the Applicant’s CT scanner replacement 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 cost of \$1,355,934. 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. This authorization requires the removal of the Applicant’s 6 year old CT scanner for certain disposition, such as sale or salvage, outside of and unrelated to the Applicant’s service provider locations. Furthermore, the Applicant 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

August 2, 2005

Signed by Cristine A. Vogel
Commissioner

CAV: rac