



Office of Health Care Access Certificate of Need Application

Final Decision

Applicant: S.B.D.I. Holding, LLC, d/b/a/
Diagnostic Imaging of Milford

Docket Number: 06-30740-CON

Project Title: Acquisition of an 8-Slice CT Scanner to Replace
an Existing Single-Slice CT Scanner for the
Applicant's Milford Radiology Office

Statutory Reference: Section 19a-639, Connecticut General Statutes

Filing Date: November 15, 2006

Decision Date: December 21, 2006

Default Date: February 13, 2007

Staff: Jack A. Huber

Project Description: S.B.D.I. Holding, LLC, d/b/a Diagnostic Imaging of Milford proposes to acquire an 8-slice computed tomography ("CT") scanner to replace an existing single-slice CT scanner for its Milford radiology office, at an estimated total capital expenditure of \$593,000.

Nature of Proceedings: On November 15, 2006, the Office of Health Care Access ("OHCA") received the Certificate of Need ("CON") application of S.B.D.I. Holding, LLC, d/b/a Diagnostic Imaging of Milford ("Applicant") seeking authorization to acquire an 8-slice computed tomography ("CT") scanner to replace an existing single-slice CT scanner for its Milford radiology office, at an estimated total capital expenditure of \$593,000.

Pursuant to Section 19a-639, C.G.S., a notice to the public concerning OHCA's receipt of the Applicant's Letter of Intent was published in the *New Haven Register* on May 22, 2006. Pursuant to Public Act 05-75, three individuals or an individual representing an entity with five or more people had until December 6, 2006, the twenty-first calendar day

following the filing of the Applicant's CON application, to request that OHCA hold a public hearing on the Applicant's proposal. OHCA received no hearing requests from the public.

OHCA's authority to review and approve, modify or deny this proposal 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 on the Applicant's Current Utilization Statistics Contribution of the Proposal to the Accessibility and Quality of Health Care Delivery in the Region

1. S.B.D.I. Holding, LLC, d/b/a Diagnostic Imaging of Milford ("Applicant") is a taxable corporation owned in equal shares by the Seabridge Corporation, a taxable subsidiary of Milford Hospital, and Diagnostic Imaging of Milford, PC. *(August 28, 2006, Initial CON Submission, page 18)*
2. The Applicant is the entity responsible for the acquisition of imaging equipment utilized by Diagnostic Imaging of Milford, PC, at its radiology office located at 30 Commerce Park in Milford. *(August 28, 2006, Initial CON Submission, page 18)*
3. Diagnostic Imaging of Milford, PC, is a physician-owned radiology group practice under exclusive contract to Milford Hospital for the provision of imaging services. *(August 28, 2006, Initial CON Submission, page 18)*
4. Milford Hospital is an acute care, general hospital located at 300 Seaside Avenue in Milford, Connecticut. *(August 28, 2006, Initial CON Submission, page 18)*
5. The radiology office at Commerce Park provides the following imaging services: general radiography, fluoroscopy, ultrasound, mammography, bone density testing, computed tomography ("CT") imaging and magnetic resonance imaging ("MRI") services. *(August 28, 2006, Initial CON Submission, page 18)*
6. The CT scanning service at the Commerce Park office commenced in July 1999. *(April 5, 2001, CON Determination Report Number: 00-E4, page 1)*
7. On April 5, 2001, the Office of Health Care Access ("OHCA") in a Certificate of Need ("CON") Determination review, Report Number: 00-E4, deemed that Diagnostic Imaging of Milford, PC, and Milford Hospital would not be required to seek CON approval from OHCA pursuant to Sections 19a-638 and 19a-639 of the Connecticut General Statutes ("C.G.S.") for the acquisition and operation of the

single-slice Siemens AR Star CT scanner that is leased to Diagnostic Imaging of Milford, PC, for use at the Commerce Park radiology office. (*April 5, 2001, CON Determination Report Number: 00-E4, page 2 and November 15, 2006, Completeness Responses, page 4*)

8. The Applicant proposes to replace its existing single-slice, CT scanner with a new 8-slice Toshiba Aquilion CT scanner. (*November 15, 2006, Completeness Responses, page 5*)
9. The Applicant based the need for the replacement project on the following factors: (*August 28, 2006, Initial CON Submission, page 18 and November 15, 2006, Completeness Responses, page 4*)
 - The current six year old CT scanner is fully depreciated and is at the end of its useful life;
 - Limitations in maintaining the existing CT scanner - the Applicant has received vendor notification to expect increasing difficulties in procuring necessary parts to repair the scanner;
 - Outdated technology associated with the existing CT scanner; and
 - Decreasing throughput of the existing CT scanner.
10. The acquisition of the 8-slice, CT scanner will allow the Applicant to improve image quality and increase CT examination throughput. (*August 28, 2006, Initial CON Submission, page 18 and November 15, 2006, Completeness Responses, page 4*)
11. The proposal is intended to serve residents from the communities that comprise the CT service's primary service area. The Applicant indicates that the primary service area encompasses the following towns: Milford, Orange and West Haven. (*August 28, 2006, Initial CON Submission, pages 2 and 14*)
12. Actual CT scanning volumes at the radiology office for fiscal years ("FYs") 2003 through 2005 are 2,632, 2,752 and 2,320 scans, respectively. (*August 28, 2006, Initial CON Submission, pages 2 and 14*)
13. The decrease in the annual number of CT scans between FYs 2004 and 2005 is attributable to two factors that occurred during this time period: (*August 28, 2006, Initial CON Submission, pages 2 and 14 and December 13, 2006, Response from Request for Additional, Information, page 1*)
 - The CT scanner experienced several serious malfunctions, which negatively affected the scanner's availability to perform imaging exams, and
 - Diagnostic Imaging of Milford, PC, experienced the departure of a key radiologist from its private practice to another local radiology practice.
14. The Applicant indicates the annual number of scans to be performed in FY 2006 is 2,568 and that the volume is based upon the three-year average of the CT volumes attained from FYs 2003 through 2005. (*August 28, 2006, Initial CON Submission, pages 2 and 15 and December 13, 2006, Response from Request for Additional, Information, pages 1 and 2*)

15. The Applicant projects 2,645 CT scans to be performed in FY 2007 and 2,724 CT scans to be performed in FY 2008, the first two years after CT scanner replacement. The Applicant's projections are based on a 3% annual increase that has been experienced by the Applicant prior to the annual CT volume attained in FY 2005. *(August 28, 2006, Initial CON Submission, pages 2 and 15 and December 13, 2006, Response from Request for Additional, Information, pages 1 and 2)*
16. The Applicant reported the actual CT scanning volumes at the Milford Hospital ("Hospital") for FYs 2003 through 2005 are 7,462, 8,534 and 11,181, respectively. *(November 15, 2006, Completeness Responses, page 1)*
17. The Hospital's CT service volumes were attained through the utilization of a 4-slice, Siemen's Somatom Plus CT scanner. The Hospital received CON authorization from OHCA on April 11, 1996, under Docket Number: 96-508, to acquire and operate the 4-slice, Siemen's Somatom Plus CT scanner. *(November 15, 2006, Completeness Responses, page 1 and November 4, 2005, Final Decision, Docket Number: 05-30626, pages 1 and 4)*
18. The Hospital's 4-slice, CT scanner was replaced in FY 2006 with a 16-slice, Siemen's Somatom Emotion CT scanner, which was approved by OHCA on November 4, 2005, under Docket Number: 05-30626-WVR. *(November 15, 2006, Completeness Responses, page 1 and November 4, 2005, Final Decision, Docket Number: 05-30626, pages 1 and 4)*
19. The Applicant anticipates performing the same compliment of routine, non-cardiac CT imaging with the proposed 8-slice, CT scanner as has been performed with the existing single-slice, CT scanner. *(August 28, 2006, Initial CON Submission, page 18)*
20. The Applicant anticipates the replacement CT scanner will be fully operational by March 2007. *(August 28, 2006, Initial CON Submission, page 18)*
21. With installation of the proposed 8-slice, CT scanner, the Applicant will seek accreditation through the American College of Radiology for its CT imaging service. *(August 28, 2006, Initial CON Submission, page 4)*

**Financial Feasibility 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 Payers for Such Services
Consideration of Other Section 19a-637, C.G.S. Principles and Guidelines**

22. The proposal's total capital expenditure is \$593,000 and consists of \$573,000 in CT equipment costs and \$20,000 in renovation costs to existing space to accommodate the proposed CT scanner. *(August 28, 2006, Initial CON Submission, page 7)*
23. The proposed project will be financed entirely through operating funds. *(August 28, 2006, Initial CON Submission, page 9)*

24. The Applicant projects incremental gains from operations with implementation of the project of \$789,000 for FYs 2007 and 2008. *(November 15, 2006, Completeness Responses, pages 3 and 22)*
25. The Applicant's existing payer mix is not expected to change as a result of this project. The current and projected payer mix for the first three years of operating the proposed 8-slice CT scanner is as follows: *(August 28, 2006, Initial CON Submission, page 10)*

Table 1: Three-Year Projected Payer Mix with the CON Proposal

Payer Mix	Current Payer Mix	Year 1	Year 2	Year 3
Medicare (Includes Managed Care Activity)	29.0%	29.0%	29.0%	29.0%
Medicaid (Includes Other Medical Assistance)	2.0%	2.0%	2.0%	2.0%
Total Government	31.0%	31.0%	31.0%	31.0%
Commercial Insurers	67.0%	67.0%	67.0%	67.0%
Uninsured	2.0%	2.09%	2.0%	2.0%
Total Non-Government	69.0%	69.0%	69.0%	69.0%
Total Payer Mix	100.0%	100.0%	100.0%	100.0%

26. There is no State Health Plan in existence at this time. *(August 28, 2006, Initial CON Submission, page 2)*
27. The Applicant has adduced evidence that this proposal is consistent with its long-range plan. *(August 28, 2006, Initial CON Submission, page 2)*
28. In its effort to employ new technology the Applicant has instituted a picture archiving communications system to improve productivity and contained costs. *(November 15, 2006, Completeness Responses, page 2)*
29. This proposal will not result in changes to the Applicant's teaching and research responsibilities. *(August 28, 2006, Initial CON Submission, page 6)*
30. The proposal will not result in any change to the Applicant's current patient/physician mix. *(August 28, 2006, Initial CON Submission, page 6)*
31. The Applicant has sufficient technical and managerial competence to provide efficient and adequate services to the public. *(August 28, 2006, Initial CON Submission, pages and 19 through 31)*
32. The Applicant's rates are sufficient to cover the proposed capital expenditure and operating costs. *(August 28, 2006, Initial CON Submission, page 10 and 17)*

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.

S.B.D.I. Holding, LLC, d/b/a Diagnostic Imaging of Milford (“Applicant”) proposes to acquire an 8-slice, computed tomography (“CT”) scanner, renovate existing space to accommodate the proposed scanner and remove the existing single-slice CT scanner from service. The Applicant is the entity responsible for the acquisition of the imaging equipment utilized by Diagnostic Imaging of Milford, PC at its radiology office located at 30 Commerce Park in Milford, Connecticut. The Commerce Park radiology office will perform the same compliment of routine CT imaging examinations with the proposed CT scanner as is presently being performed with the existing CT scanner. The Applicant anticipates the replacement CT scanner will be fully operational by March 2007.

The need for the project is based on the age and technological obsolescence of the current single-slice CT scanner. In addition, the 6-year old CT scanner requires costly maintenance due to frequent breakdowns, has exceeded its useful life and has become fully depreciated. The proposed 8-slice, scanner will provide improved image quality and will allow the Applicant to increase CT examination throughput. Based on the foregoing reasons, OHCA finds that the Applicant has provided sufficient evidence to substantiate the need for the proposed CT scanner acquisition and that the proposal will improve the quality, throughput and accessibility of CT services in the greater Milford area.

The total capital cost for the proposal is \$593,000. The Applicant will finance the replacement project through available operating funds. The Hospital projects incremental gains from operations with implementation of the project of \$789,000 for fiscal years 2007 and 2008. Although OHCA can not draw any conclusions, the Hospital’s volume and financial projections upon which they are based appear to be reasonable.

Based on the foregoing Findings and Rationale, the Certificate of Need application of S.B.D.I. d/b/a Diagnostic Imaging of Milford to acquire an 8-slice computed tomography (“CT”) scanner to replace an existing single-slice CT scanner for its Milford radiology office, at a total capital expenditure of \$593,000, is hereby granted subject to conditions.

ORDER

S.B.D.I. Holding, LLC, d/b/a Diagnostic Imaging of Milford (“Applicant”) is hereby authorized to acquire an 8-slice computed tomography (“CT”) scanner to replace an existing single-slice CT scanner for its Milford radiology office, at a total capital expenditure of \$593,000, subject to the following conditions:

1. This authorization shall expire March 1, 2008. Should the Applicant’s 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 capital expenditure of \$593,000. In the event that the Applicant learns of potential cost increases or expects that the 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 existing Siemens AR Star 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 the existing Siemens AR Star CT scanner, by no later than six months after the new scanner has become operational.
4. The Applicant shall notify OHCA in writing of the following information by no later than one month after the new 8-slice, CT scanner becomes operational:
 - a) The name of the CT scanner manufacturer;
 - b) The model name and description of the CT scanning unit; and
 - c) The initial date of the operation of the CT scanner.

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

December 21, 2006

Signed by Cristine Vogel
Commissioner

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