

M. JODI RELL  
GOVERNOR

STATE OF CONNECTICUT  
OFFICE OF HEALTH CARE ACCESS

CRISTINE A. VOGEL  
COMMISSIONER

June 9, 2009

**IN THE MATTER OF:**

An Application for a Certificate of Need  
filed pursuant to Section 19a-639, C.G.S.  
by:

**Meriden Imaging Center, Inc.  
d/b/a Radiology Associates, Inc.**

Notice of Final Decision  
Office of Health Care Access  
Docket Number: 08-31292-CON

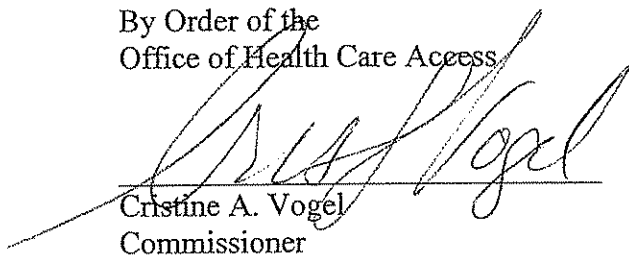
**Acquisition of a 16-Slice CT Scanner in  
Wallingford**

Gary Dee, M.D.  
President  
Meriden Imaging Center, Inc.  
101 No Plains Industrial Road  
Wallingford, CT 06492

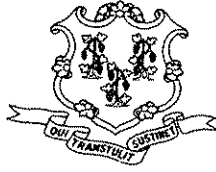
Dear Dr. Dee:

This letter will serve as notice of the Final Decision of the Office of Health Care Access in the above matter, as provided by Section 19a-639, C.G.S. On June 9, 2009, the Final Decision was rendered as the finding and order of the Office of Health Care Access. A copy of the Final Decision is attached hereto for your information.

By Order of the  
Office of Health Care Access

  
Cristine A. Vogel  
Commissioner

Enclosure  
CAV: agf



## Office Of Health Care Access Certificate of Need Application

### Final Decision

**Applicant:** Meriden Imaging Center, Inc.  
d/b/a Radiology Associates, Inc.

**Docket Number:** 08-31292-CON

**Project Title:** Acquisition of a 16-Slice CT Scanner in Wallingford

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

**Filing Date:** March 13, 2009

**Decision Date:** June 9, 2009

**Default Date:** June 11, 2009

**Staff Assigned:** Alexis G. Fedorjaczenko

**Project Description:** Meriden Imaging Center, Inc. d/b/a Radiology Associates, Inc. proposes to acquire a 16-slice computed tomography ("CT") scanner to replace an existing 4-slice CT scanner in Wallingford, at an estimated total capital cost of \$395,000.

**Nature of Proceedings:** On March 13, 2009, the Office of Health Care Access ("OHCA") received a Certificate of Need ("CON") application from Meriden Imaging Center, Inc. d/b/a Radiology Associates, Inc. seeking authorization to acquire a 16-slice computed tomography ("CT") scanner to replace an existing 4-slice CT scanner in Wallingford, at an estimated total capital cost of \$395,000. 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 was published in *The Record Journal* on January 3, 2009. OHCA received no response from the public concerning the Applicant's proposal.

Pursuant to Section 19a-639, C.G.S., three individuals or an individual representing an entity with five or more people had until April 3, 2009, 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 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. It is found that Meriden Imaging Center, Inc., d/b/a Radiology Associates, Inc., ("Applicant") is a for-profit corporation that currently provides a full service spectrum of radiology services in its Wallingford office including diagnostic radiology, mammography, ultrasound, bone density, nuclear medicine, computed tomography ("CT") scanning, and MRI. (*February 23, 2009, Initial CON Application, pages 2 & 8*)
2. It is found that the Applicant is an affiliate of MidState Medical Center. (*Office of Health Care Access, Annual Report On The Financial Status of Connecticut's Short Term Acute Care Hospitals For Fiscal Year 2007, November 2008*)
3. It is found that the Applicant currently operates at 97 Barnes Road, Wallingford. On May 14, 2008, Office of Health Care Access ("OHCA") Determination Report Number 08-31153 indicated that CON authorization was not required for the Applicant's proposed relocation to 890 North Colony Road, Wallingford. (*December 23, 2008, Letter of Intent; May 14, 2008, CON Determination Report Number 08-31153*)
4. The Applicant contends that the build out of the new facility will be completed by May 1, 2009, with equipment and furnishing relocation and calibration during the month of May. The Applicant indicated that the Town of Wallingford has changed the address of the building to 863 North Main Street Extension, Wallingford, to reflect its main entrance. The location of the building has not changed. (*March 13, 2009, completeness Response, page 245*)
5. The Applicant proposes to lease a 16-slice Siemens Somatom Emotion CT scanner to replace the existing 4-slice CT scanner. The replacement scanner will be located at the new office. (*December 23, 2008, Letter of Intent; February 23, 2009, Initial CON Application, pages 2 & 232*)
6. It is found that the Applicant has operated a 4-slice CT scanner at the current location since 1987. (*February 23, 2009, Initial CON Application, page 2*)

7. According to the Applicant, the existing 4-slice CT unit, a General Electric Light Speed Advantage QXI CT System, was acquired by the Applicant at a total project cost of \$365,255. The scanner became operational in October, 2004. *(February 23, 2009, Initial CON Application, page 3)*
8. The Applicant contends that it did not seek a CON determination for the existing 4-slice CT scanner because the equipment was existing and the replacement value was under \$400,000. *(March 13, 2009, completeness Response, page 245)*
9. In 2008, more than 90% of CT exams performed by the Applicant were on patients from the towns of Cheshire, Durham, Meriden, North Haven, and Wallingford. *(February 23, 2009, Initial CON Application, pages 15-17)*
10. The Applicant contends that it will be serving the same patient population with the proposed scanner as with the existing scanner. *(February 23, 2009, Initial CON Application, page 3)*
11. The Applicant contends that the number of actual CT scans represents an annual growth rate of 2% between calendar years 2004 and 2008. Based on this, along with the additional capabilities of the 16-slice scanner to provide diagnostics for pulmonary and colonography, the Applicant projects a growth rate of 3% annually for calendar years 2010 through 2012.

**Table 1: Current and Projected Volume by Calendar Year**

	Actual					Projected			
	2004	2005	2006	2007	2008	2009 Annualized	2010	2011	2012
4-slice	3,915	4,639	4,384	4,443	4,286	4,351	--	--	--
16-slice	--	--	--	--	--	--	4,486	4,625	4,768
<b>TOTAL</b>	<b>3,915</b>	<b>4,639</b>	<b>4,384</b>	<b>4,443</b>	<b>4,286</b>	<b>4,351</b>	<b>4,486</b>	<b>4,625</b>	<b>4,768</b>

*(February 23, 2009, Initial CON Application, page 4 and March 13, 2009, Completeness Response, pages 245-6)*

12. The Applicant indicated that the proposed 16-slice CT scanner will improve the speed at which images are available, and will provide greater detail for such diagnostic testing as CT pulmonary angiograms and CT colonography. *(February 23, 2009, Initial CON Application, page 5)*
13. The Applicant asserts that it currently receives referrals for diagnostic testing such as pulmonary angiograms and colonography; however, it is limited in these studies due to the capacity of the 4-slice CT scanner. *(March 13, 2009, Completeness Responses, pages 245-6)*

14. The Applicant identified the following providers in the proposed service area:

**Table 2: Providers in the Proposed Service Area**

<b>Provider Name &amp; Location</b>	<b>Service Description</b>	<b>Hours of Operation</b>	<b>Utilization</b>
MidState Medical Center Meriden, CT	16- & 64-slice CT	24/7	7,570
Meriden Imaging Center Cheshire, CT	4-slice CT	8am-5pm Mon-Fri	2,086

*(March 13, 2009, Completeness Response, page 246)*

15. Hours of operation for the proposed service will be similar to that of the existing service, which is Monday through Friday, 8 a.m. to 5 p.m. *(February 23, 2009, Initial CON Application, page 3)*
16. It is found that the current GE Lightspeed is accredited by the American College of Radiology ("ACR") through April 14, 2010. *(February 23, 2009, Initial CON Application, page 6)*

**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**

17. The estimated total capital cost of the CON proposal is \$395,000, representing the fair market value of the leased CT scanning equipment. *(February 23, 2009, Initial CON Application, page 9)*
18. The proposed CT scanner will be obtained as a 3-year lease with an interest rate of 2.56% and a monthly payment of \$8,413. *(February 23, 2009, Initial CON Application, page 10)*
19. The existing CT scanner will be traded in with the vendor. *(March 13, 2009, Completeness Response, page 245)*
20. The Applicant stated that it will not have a service contract for the first 12 months of operation of the proposed scanner, resulting in an incremental decrease in expenses in FYs 2009 and 2010. The Applicant projects the following revenues and expenses for the first three years of its proposal:

**Table 3: Projected Incremental Revenues and Expenses**

	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>
Revenue from Operations	\$24,711	\$51,219	\$52,710	\$54,247
Total Operating Expenses	(\$39,523)	(\$39,523)	\$0	\$0
<b>Net Income</b>	<b>\$64,234</b>	<b>\$90,742</b>	<b>\$52,710</b>	<b>\$54,247</b>

*(February 23, 2009, Initial CON Application, page 240 and March 13, 2009, Completeness Response, page 247-8)*

21. There is no State Health Plan in existence at this time. *(February 23, 2009, Initial CON Application, page 2)*
22. The Applicant has improved productivity and contained costs by participating with VHA for group purchasing and implementing the Picture Archiving and Communications System technology in all of its offices. *(February 23, 2009, Initial CON Application, page 7)*
23. The Applicant's current and three year projected payer mix for the imaging center is as follows:

**Table 4: Current and Three-Year Projected Payer Mix with the CON Proposal**

<b>Payer Mix</b>	<b>Current</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
Medicare*	33%	33%	33%	33%
Medicaid*	5%	5%	5%	5%
CHAMPUS or TriCare	1%	1%	1%	1%
<b>Total Government</b>	<b>39%</b>	<b>39%</b>	<b>39%</b>	<b>39%</b>
Commercial Insurers*	58%	58%	58%	58%
Uninsured	2%	2%	2%	2%
Workers Compensation	1%	1%	1%	1%
<b>Total Non-Government</b>	<b>61%</b>	<b>61%</b>	<b>61%</b>	<b>61%</b>
<b>Total Payer Mix</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

\* Includes managed care activity.

*(February 23, 2009, Initial CON Application, page 12)*

24. The proposal will not result in any change to the Applicant's teaching or research responsibilities. *(February 23, 2009, Initial CON Application, page 7)*
25. There are no characteristics of the Applicant's current patient/physician mix that make the proposal unique. *(February 23, 2009, Initial CON Application, page 7)*
26. The Applicant provided resumes to support that it has the technical, financial and managerial competence and expertise to provide efficient and adequate service to the public. *(February 23, 2009, Initial CON Application, page 6 and exhibit iii)*
27. The proposed rate of \$756 per scan is sufficient to cover the capital and operating costs associated with the proposal. *(March 13, 2009, Completeness Response, page 249-252)*

## 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.

Meriden Imaging Center, Inc., d/b/a Radiology Associates, Inc., (“Applicant”) is a for-profit corporation and an affiliate of MidState Medical Center that currently operates at 97 Barnes Road in Wallingford. The Applicant is relocating to 863 North Main Street Extension, also in Wallingford, in May, 2009. The Applicant provides a full service spectrum of radiology services in its Wallingford office including diagnostic radiology, mammography, ultrasound, bone density, nuclear medicine, computed tomography (“CT”) scan, and MRI.

The Applicant proposes to lease a 16-slice Siemens Somatom Emotion CT scanner to replace the existing 4-slice General Electric Light Speed Advantage QXI CT scanner that operates at the current location. The 16-slice scanner will be located at the new office on North Main Street Extension and the 4-slice scanner will be traded in with the vendor.

The Applicant has provided CT scanning services to its patients since 1987 and had performed 4,286 scans in the most recent completed year (2008). Upon reviewing the historical volumes provided by the Applicant, OHCA finds that the Applicant’s annual volumes have been relatively stable over the last five years (2004 through 2008) and that the Applicant has an existing patient population which will be served by the proposal. A portion of the Applicant’s projected growth is based on additional capabilities of the 16-slice scanner, which will improve the speed at which images are available and will provide greater detail for diagnostic testing such as CT pulmonary angiograms and CT colonography. The Applicant asserted that although it currently receives referrals for diagnostic testing such as pulmonary angiograms and colonography, it is limited in these studies due to the capacity of the 4-slice CT scanner. Accordingly, OHCA finds that the Applicant has demonstrated a need for the replacement of the existing 4-slice CT scanner with the proposed 16-slice scanner, based on the proposal’s ability to improve quality for the Applicant’s existing patient population in need of CT imaging services.

The proposed CT scanner will be obtained as a 3-year lease. The estimated total capital cost of the CON proposal is \$395,000, representing the fair market value of the leased CT scanning equipment. The Applicant projects an incremental gain related to the proposal of \$64,234 in 2009, \$90,742 in 2010, \$52,710 in 2011, and \$54,247 in 2012. The Applicant’s financial projections, and volumes upon which they are based, appear to be reasonable and achievable. Based on the above, OHCA finds that the CON proposal is cost-effective.

## Order

Based upon the foregoing Findings and Rationale, the Certificate of Need application of Meriden Imaging Center, Inc., d/b/a Radiology Associates, Inc. ("Applicant") to acquire a 16-slice computed tomography ("CT") scanner to replace an existing 4-slice CT scanner in Wallingford, at an estimated total capital cost of \$395,000, is hereby GRANTED, subject to the following conditions.

1. This authorization shall expire on June 9, 2010. Should the Applicant's project not be completed by that date, the Applicant must seek further approval from the Office of Health Care Access ("OHCA") to complete the project beyond that date.
2. The Applicant shall not exceed \$3 million in capital expenditure for the cost of the proposal. In the event that the Applicant learns of potential cost increases or expects the final project costs will exceed \$3 million, the Applicant shall notify OHCA in writing.
3. This authorization requires the removal of the Applicant's existing 4-slice 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 unit, by no later than six months after the replacement CT 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 scanner becomes operational:
  - a. The name of the CT scanner manufacturer;
  - b. The model name and description of the scanning unit; and
  - c. The initial date of the operation of the CT scanner.
5. If the Applicant proposes to terminate and/or add any services or programs, it shall file with OHCA a Certificate of Need Determination or Letter of Intent.

Should the Applicant fail to comply with any of the aforementioned conditions, OHCA reserves the right to take additional action as authorized by law.

All of the foregoing constitutes the final order of the Office of Health Care Access in this matter.

6-9-09  
Date

By Order of the  
Office of Health Care Access

  
Cristine A. Vogel  
Commissioner