

STATE OF CONNECTICUT  
OFFICE OF HEALTH CARE ACCESS

M. JODI RELL  
GOVERNOR

CRISTINE A. VOGEL  
COMMISSIONER

May 18, 2009

**IN THE MATTER OF:**

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

Notice of Final Decision  
Office of Health Care Access  
Docket Number: 08-31294-CON

**Saint Mary's Hospital**

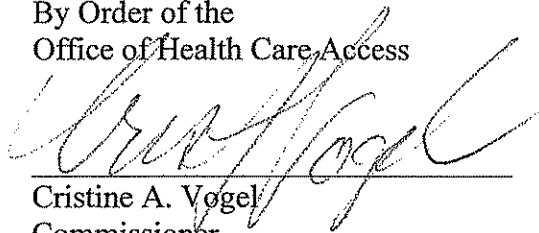
**Proposal to Acquire a Philips Brilliance  
16-slice CT Scanner to Replace an  
Existing Single-slice Philips PQ-2000**

To: Joseph Connolly  
Chief Marketing and Government Relation Officer  
Saint Mary's Hospital  
56 Franklin Street  
Waterbury, CT 06706

Dear Mr. Connolly:

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 May 18, 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



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Cristine A. Vogel  
Commissioner

Enclosure

CAV: lkg



## Office of Health Care Access Certificate of Need Application

### Findings of Fact

**Applicant:** Saint Mary's Hospital

**Docket Number:** 08-31294-CON

**Project Title:** Proposal to Acquire a Philips Brilliance 16-slice CT Scanner to Replace an Existing Single-slice Philips PQ-2000

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

**Filing Date:** April 17, 2009

**Decision Date:** May 18, 2009

**Staff:** Laurie K. Greci

**Project Description:** Saint Mary's Hospital ("Hospital") proposes to acquire a Philips Brilliance 16-slice Computed Tomography ("CT") scanner to replace an existing single-slice Philips PQ-2000 CT scanner at a total capital expenditure of \$422,164.

**Nature of Proceedings:** On April 17, 2009, the Office of Health Care Access ("OHCA") received the Certificate of Need ("CON") application of the Hospital seeking authorization to purchase a Philips Brilliance 16-slice CT scanner to replace an existing single-slice Philips PQ-2000 CT scanner at a total capital expenditure of \$422,164 from Saint Mary's Hospital ("Hospital") in Waterbury. The Hospital is a health care facility or institution as defined in Section 19a-630 of the Connecticut General Statutes ("C.G.S.").

A notice to the public regarding OHCA's receipt of the Hospital's Letter of Intent to file its CON Application was published in the *Republican American* (Waterbury) on January 11, 2009. OHCA received no responses from the public concerning the Hospital'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 May 8, 2009, the twenty-first calendar day following the filing of the Hospital's CON application, to request that OHCA hold a public hearing on the Hospital's proposal. OHCA received no hearing requests from the public.

OHCA's authority to review and approve, modify or deny the requested waiver of CON requirements for replacement equipment is established by Section 19a-639 of the Connecticut General Statutes ("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 Applicants' 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. Saint Mary's Hospital ("Hospital") is an acute care hospital located at 56 Franklin Street, Waterbury, Connecticut. *(March 26, 2009, Initial CON Submission, page 81)*
2. It is found that the Hospital did not receive Certificate of Need authorization from OHCA to obtain and operate the single-slice CT scanner that is proposing to replace with a Philips Brilliance 16-slice CT scanner ("16-slice CT scanner").
3. The Hospital contends that the single-slice CT scanner was installed in 1993, making it 16 years old and well beyond its expected useful service life. The scanner is outdated, produces low image quality, and does not meet industry accepted standards because of its limited power output and the slow reconstruction parameters. It is used only for a small number of simple procedures. *(May 26, 2009, Initial CON Submission, page 3)*
4. The Hospital states that the proposed replacement will provide the following advantages:
  - a) The 16-slice CT scanner Hospital has the minimum operational requirements necessary to provide an adequate range of exams; and
  - b) As a back-up scanner it is a comparable substitute to the primary multi-slice scanner and will provide the same standard of care.*(March 26, 2009, Initial CON Submission, pages 7 and 8)*
5. It is found that the Hospital has been designated by the State of Connecticut Department of Public Health as a Primary Stroke Center. The Hospital is required to meet the Minimal Criteria for Primary Stroke Center Designation. One of these criteria makes CT scanning services mandatory 24 hours per day. *(May 26, 2009, Initial CON Submission, page 13)*
6. It is found that the Hospital is also a Level II Trauma Hospital and is required by the American College of Surgeons to have 24-hour availability of a CT scanner and an in-house technician. *(May 26, 2009, Initial CON Submission, page 15)*

7. It is found that the proposed 16-slice CT scanner is an acceptable back-up scanner in order to meet the requirements of their primary Stroke Center and Level II Trauma Hospital designations.
8. The Hospital contends that the following number of CT scans performed by town and by fiscal year on its two existing CT scanners:

**Table 1: CT Scanning Service Volumes for Fiscal Year**

Town	Fiscal Year			
	2006	2007	2008	2009 YTD*
Beacon Falls	110	79	151	56
Bethlehem	61	64	78	36
Cheshire	576	553	487	151
Middlebury	344	302	362	112
Morris	29	34	34	15
Naugatuck	2,004	1,737	1,992	665
Oakville	366	351	354	164
Oxford	42	67	97	45
Plantsville	162	93	128	44
Plymouth	76	69	60	20
Prospect	930	708	627	276
Southbury	312	263	255	106
Terryville	87	99	70	25
Thomaston	274	318	301	84
Waterbury	12,770	12,383	12,719	4,814
Watertown	629	519	552	238
Wolcott	1725	1537	1675	545
Woodbury	179	128	130	78
Other	1,744	1582	1665	580
<b>Total</b>	<b>22,420</b>	<b>20,886</b>	<b>21,737</b>	<b>8,054</b>

\*October 1, 2008 through February 14, 2009. The annualized volume is 21,477 CT scans.

*(March 26, 2009, Initial CON Submission, page 29)*

9. The Hospital contends that it will perform 22,336, 23,230, and 24,159 CT scans during FYs 2010, 2011, and 2012, respectively. The Hospital based its projections on the 4% increase experienced from FY 2007 to FY 2008. *(March 26, 2009, Initial CON Submission page 39)*

**Financial Feasibility and Cost Effectiveness of the Proposal and its Impact on the Applicants' 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**

10. The proposal has the following major expenditure components:

**Table 2: Major Cost Components**

CT scanner	\$397,164
Construction and Renovations	25,000
<b>Total Capital Expenditure</b>	<b>\$422,164</b>

*(March 26, 2009, Initial CON Submission page 16)*

11. The Hospital contends that it will fund the proposal through equity.
12. The proposed CT scanner will be installed in the same room as the current single-slice scanner and will require only minimal renovations in order to accommodate the 16-slice scanner. *(March 26, 2009, Initial CON Submission, page 16)*
13. The Hospital contends the following incremental revenues and expenses with the proposal:

**Table 3: Projected Incremental Loss from Operations with the Proposal**

	<b>FY2009</b>	<b>FY2010</b>	<b>FY2011</b>	<b>FY2012</b>
<b>Incremental Net Patient Revenue</b>		\$0	\$0	\$0
<b>Incremental Operating Expenses:</b>				
Service Contract	\$19,000	\$75,000	\$75,000	\$75,000
Other Operating Expense	7,000	1,000	1,000	1,000
Depreciation/Amortization	\$41,000	\$82,000	\$82,000	\$82,000
Total Operating Expense	\$67,000	\$158,000	\$158,000	\$158,000
<b>Incremental Loss from Operations</b>	<b>(\$67,000)</b>	<b>(\$158,000)</b>	<b>(\$158,000)</b>	<b>(\$158,000)</b>

Notes: Assumes that the CT scanner will be in use for 6 months in FY 2009.

The Hospital will have a 4-year service contract for the scanner.

*(April 17, 2009, Completeness Response, page 250)*

14. The Hospital contends that it will continue to bill for the technical aspect of the CT scanning services and Naugatuck Valley Radiology Associates will continue to bill for the professional component. *(March 26, 2009, Initial CON Submission, page 16)*
15. The Hospital contends that the replacement CT scanner will serve the Hospital's existing patient population and the Hospital anticipates no changes in the payer mix due to the proposal. The Hospital's current and projected payer mix by patient population is presented in the following table:

**Table 4: Current and Projected Payer Mix by Patient Population**

Payer	Fiscal Year			
	Actual	Projected		
	2008	2010	2011	2012
Medicare	42.9%	42.9%	42.9%	42.9%
Medicaid	19.6%	19.6%	19.6%	19.6%
Total Government Payers	62.5%	62.5%	62.5%	62.5%
Commercial Insurers	32.3%	32.3%	32.3%	32.3%
Uninsured	4.4%	4.4%	4.4%	4.4%
Workers Compensation	0.8%	0.8%	0.8%	0.8%
Total Non-government Payers	37.5%	37.5%	37.5%	37.5%
Total Payer Mix	100%	100%	100%	100%

*(April 17, 2009, Completeness Response, page 204)*

16. There is no State Health Plan in existence at this time. *(March 26, 2009, Initial CON Submission, page 24)*
17. The Hospital has adduced evidence that this proposal is consistent with its long-range plan. *(March 26, 2009, Initial CON Submission, page 24)*
18. The Hospital has improved productivity and contained costs by participating in activities involving energy conservation, application of technical, group purchasing, reengineering, and process standardization. *(March 26, 2009, Initial CON Submission, page 23)*
19. The proposal will not result in any change to the Hospital's teaching and research responsibilities. *(March 26, 2009, Initial CON Submission, page 24)*
20. The proposal will not result in any change to the Hospital's current patient/physician mix. *(March 26, 2009, Initial CON Submission, page 24)*
21. The Hospital has sufficient technical and managerial competence to provide efficient and adequate services to the public. *(March 26, 2009, Initial CON Submission, pages 24)*

## 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.

Saint Mary's Hospital ("Hospital") proposes to acquire and operate a Philips Brilliance 16-slice computer tomography ("CT") scanner, replacing an existing 16 year old single-slice CT scanner. The existing single-slice scanner was acquired by the Hospital in 1993 and, as it is well past its useful life expectancy, requires frequent maintenance. The acquisition of the 16-slice CT scanner will allow the Hospital to avoid trauma bypass and maintain its obligations as a Trauma II facility and as a Primary Stroke Center. In addition, the CON proposal will improve the quality of CT scanning services to the Hospital's patients.

The proposal's capital expenditure total is \$422,164 and consists of costs attributable to the replacement equipment and renovation work to accommodate the equipment. The project's capital expenditure will be financed through the Hospital's operating funds. In the initial years of operating the 16-slice CT scanner the Hospital projects operating losses in each of the first three fiscal years due to depreciation and the maintenance contract. The Hospital's volume and financial projections upon which they are based appear to be reasonable and achievable. Therefore, OHCA finds that the CON proposal is cost effective and is in the best interest of consumers and payers.

## Order

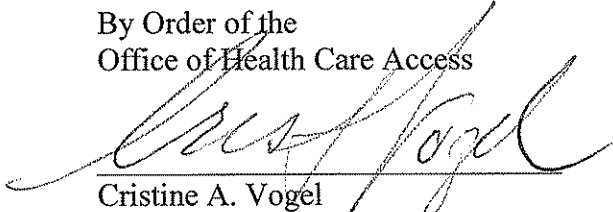
Based on the foregoing Findings and Rationale, the Office of Health Care Access ("OHCA") has determined that Saint Mary's Hospital's ("Hospital") proposal to acquire and operate a 16-slice CT scanner to replace its existing single-slice CT scanner, at a total capital expenditure of \$422,164, is hereby GRANTED, subject to the following conditions:

1. This authorization shall expire on May 18, 2010. Should the Hospital's 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 \$3 million in replacement fair market value or capital expenditure for the proposed equipment. In the event that the Hospital learns of potential cost increases or expects that final project costs will exceed those approved, the Hospital shall notify OHCA in writing.
3. With respect to the acquisition of the 16-slice CT scanner, the Hospital shall notify OHCA regarding the following information in writing by no later than two months after the scanner becomes operational:
  - a. The name of the manufacturer;
  - b. The model name and description of the computed tomography scanner; and
  - c. The initial date of the operation of the computed tomography scanner.
  - d. The termination date of the operation of the single-slice CT scanner.
4. This authorization requires the removal of the single-slice Philips PQ-2000 CT scanner for certain disposition, such as sale or salvage, outside of and unrelated to the Hospital's Connecticut service locations. Furthermore, the Hospital shall provide evidence to OHCA of the disposition of the single-slice CT scanner to be removed by no later than six months after the 16-slice CT scanner has become operational.
5. Should the Hospital propose any change in its proposal to replace its CT scanner, the Hospital shall file with OHCA a Certificate of Need Determination Request regarding the proposed service change.

Should the Hospital 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.

5-18-09  
Date

By Order of the  
Office of Health Care Access

  
Cristine A. Vogel  
Commissioner