

STATE OF CONNECTICUT
DEPARTMENT OF PUBLIC HEALTH
Office of Health Care Access

February 19, 2013

IN THE MATTER OF:

An Application for a Certificate of Need
filed Pursuant to Section 19a-638, C.G.S. by: Notice of Final Decision
Office of Health Care Access
Docket Number: 12-31767-CON

The Hospital of Central Connecticut Acquisition of a 1.5 Tesla-Strength Magnetic
Resonance Imaging Scanner
by the Hospital of Central Connecticut

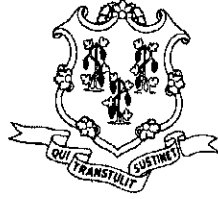
To: Claudio A. Capone
Director of Strategic Business Planning & Physician Relations
The Hospital of Central Connecticut
100 Grand Street
New Britain, CT 06050

Dear Mr. Capone:

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-638, C.G.S. On February 19, 2013, 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.

Kimberly R. Martone
Director of Operations

Enclosure
KRM:jah



**Department of Public Health
Office of Health Care Access
Certificate of Need Application**

Final Decision

Applicant: Hospital of Central Connecticut
100 Grand Street, New Britain CT 06050

Docket Number: 12-31767-CON

Project Title: Acquisition of a 1.5 Tesla-Strength Magnetic Resonance Imaging Scanner by the Hospital of Central Connecticut

Project Description: The Hospital of Central Connecticut is seeking Certificate of Need authorization to acquire a 1.5 tesla-strength magnetic resonance imaging scanner from MRI of Farmington Avenue, LLC, in West Hartford, at a capital expenditure of \$300,000.

Procedural History: On September 14, 2012, the Office of Health Care Access (“OHCA”) received a Certificate of Need (“CON”) application from the Hospital of Central Connecticut for the above-referenced project. The CON application was deemed complete by OHCA on October 11, 2012. The Hospital of Central Connecticut published notice of their intent to file the CON application in *The Hartford Courant*, on March 19, 20 and 21, 2012. OHCA received no responses from the public concerning the Hospital of Central Connecticut’s proposal and no hearing requests were received from the public pursuant to Conn. Gen. Stat. § 19a-639a(e). Deputy Commissioner Lisa A. Davis read the entire record in this matter.

FINDINGS OF FACT

1. The Hospital of Central Connecticut is a not-for-profit, acute care hospital with campus locations at New Britain General, 100 Grand Street in New Britain, Connecticut and at Bradley Memorial, 81 Meriden Avenue in Southington, Connecticut. Exhibit A, pp. 14 & 91.

2. On July 21, 2008, Mandel and Blau, M.D.s, P.C., received CON authorization from the Office of Health Care Access under Docket Number: 07-31073-CON to acquire and operate a Diamond Select Intera 1.5 tesla-strength magnetic resonance imaging scanner (the "MRI scanner"). The CON authorization cited the capability of the scanner to perform more technologically complex studies and that offering MRI services immediately adjacent to an ambulatory surgery center would enhance patient care by allowing access to the continuum of breast services in one location. Exhibit A, p. 6; Final Decision, DN: 07-31073-CON.
3. Mandell & Blau, M.D.s, P.C., currently operates the MRI scanner at Blue Back Square, 65 Memorial Road, 5th Floor in West Hartford, Connecticut. Exhibit A, p. 6.
4. The MRI scanner is leased by MRI of Farmington Avenue, LLC, from Phillips Medical Capital, LLC. In turn, MRI of Farmington Avenue, LLC subleases the MRI scanner to Mandell & Blau, M.D.s, P.C. Exhibit A, p. 6.
5. The Hospital of Central Connecticut proposes to acquire the MRI scanner from MRI of Farmington Avenue, LLC, and continue to operate the MRI scanner at its current Blue Back Square location. Within two years, the Hospital of Central Connecticut plans to relocate the MRI scanner to a Cancer Center at 0 Loon Lake Road in New Britain, which is scheduled to be completed in the fall of 2014. Exhibit A, p. 6; Exhibit C, p. 108.
6. The Hospital of Central Connecticut's MRI sites by campus location, description of service, operating schedule and fiscal year (FY) utilization are as follows:

Table 1: Existing Hospital MRI Scanners

Campus Location	Scanner Description	Hours/Days of Operation	FY 2011 Utilization
<i>New Britain General Campus</i> 100 Grand Street New Britain, CT 06050	1.5 Tesla-Strength Closed MRI Scanner	7am to 11pm - Mon-Fri 7am to 3pm - Saturday	5,466
<i>New Britain General Campus</i> 100 Grand Street New Britain, CT 06050	1.5 Tesla-Strength Closed MRI Scanner	7am to 11pm - Mon-Fri 7am to 3pm - Saturday	3,644
<i>Bradley Memorial Campus</i> 81 Meriden Ave., Southington, CT 06489	1.2 Tesla-Strength Opened MRI Scanner	7am to 10pm - Mon-Fri 7am to 3pm - Saturday	3,982

Ex. A, p. 8.

7. Although its MRI scanners at the New Britain General campus have some additional capacity, the Hospital of Central Connecticut indicates that it is not practical or advisable to relocate either of the two MRI scanners to the new Cancer Center because:

- a. As a tertiary care facility, it needs to have a second MRI scanner for emergency situations; and
 - b. If it is at full capacity with one scanner, patients may have to be sent to the Cancer Center to have an MRI scan, which would not be optimal with respect to maintaining the privacy of the cancer patients receiving treatment at the Center. Exhibit A, p. 6.
8. In its proposal, the Hospital of Central Connecticut indicates that:
- a. Relocating an underutilized MRI scanner to the new Cancer Center is an appropriate and efficient allocation of resources and that the relocation will benefit the Hospital's oncology patients.
 - b. Freeing up some of the New Britain General campus' MRI scan utilization through redistribution to the new Cancer Center will serve to facilitate timely access to Hospital MRI scanners for inpatient and emergent cases. Exhibit A, p. 8; Exhibit C, p. 105.
9. The Hospital of Central Connecticut acknowledges that the proposed acquisition is not simply to accommodate patients currently receiving services at the Blue Back square location, but rather to eventually move a less than fully utilized MRI scanner to its future Cancer Center. Exhibit A, p. 8.
10. Currently, patients using the Blue Back Square location are from the following primary service area towns: West Hartford, Hartford, New Britain, Newington, Farmington, Avon, Bloomfield and Windsor. It is anticipated that the same population will be served at the Blue Back Square location until the Cancer Center is completed in the fall of 2014. Exhibit A, p. 9.
11. The following table provides the MRI utilization and population figures by primary service area town for the MRI Scanner located at Blue Back Square:

Table 2: Blue Back Square MRI Scanner Utilization and Population Figures by Primary Service Area Town*

Town*	FY 2011 Utilization	% of Total Utilization*	2011 Population	Use Rate Per 1,000 Population
West Hartford	126	28.00%	64,201	1.96
Hartford	50	11.00%	121,599	0.41
New Britain	10	2.25%	70,185	0.14
Newington	35	8.00%	29,976	1.17
Farmington	30	7.00%	25,262	1.19
Avon	20	4.50%	17,648	1.13
Bloomfield	15	3.50%	20,824	0.72
Windsor	10	2.25%	29,119	0.34

Note: * As the percent of total utilization identified above equals less than 75%, the towns listed above do not represent the entire service area.

Exhibit A, p. 9.

12. The following existing MRI providers are located within the primary service area or nearby towns. The number of MRI scans performed in calendar year (“CY”) 2010 for each provider was obtained from the Office of Health Care Access’ Imaging Questionnaire.

Table 3: Existing Service Area MRI Providers with Associated Scans Performed in CY 2010

Town	Existing MRI Provider	Number of MRI Scans Performed in CY 2010
West Hartford	1. Jefferson Radiology, 941 Farmington Avenue	5,670
	2. West Hartford Open MRI, 8 North Main Street	1,108
Hartford	1. Connecticut's Children's Medical Center, 282 Washington Street	3,494
	2. Connecticut Valley Radiology, 19 Woodland Street, Suite # 15	876
	3. Imaging Center at Hartford Hospital, 85 Jefferson Street	4,361
	4. Imaging Center at Hartford Hospital, 85 Jefferson Street	4,361
	5. Jefferson Radiology, Hartford, 85 Seymour Street	4,361
	6. St. Francis Hospital & Medical Center, 114 Woodland Street	6,301
	7. St. Francis Hospital & Medical Center, 114 Woodland Street	5,911
	8. St. Francis Hospital & Medical Center, 114 Woodland Street	784
New Britain	1. Grove Hill Medical Center, 300 Kensington Avenue	2,086
	2. MRI of New Britain, 100 Grand Street	4,930
	3. MRI of New Britain, 100 Grand Street	4,033
Farmington	1. Hartford Orthopedic Associates / Jefferson Radiology, 399 Farmington Avenue	NA
	2. Farmington Imaging Center - Open MRI, 353 Scott Swamp Road	51
	3. UCONN Health Center, 263 Farmington Avenue	1,967
	4. UCONN Health Center, 263 Farmington Avenue	5,112
Avon	1. Jefferson Radiology, Avon, 100 Simsbury Road	4,919*
	2. Radiology Associates of Hartford, 35 Nod Road	NA
	3. St. Francis Hospital & Medical Center, 11 Nod Road	1,258
Bloomfield	1. Connecticut Valley Radiology, 701 Cottage Grove Road	1,194
	2. Jefferson Radiology, Bloomfield, 6 Northwestern Drive	2,051
Windsor	1. Evergreen Imaging, 2800 Tamarack Avenue	1,964
	2. Open MRI at Buckland Hills, 491 Buckland Road	3,594

Note:* Reported MRI scan volume performed in FY 2011.

NA – MRI scan volume not available for FY 2010.

Exhibit A, p. 10; MRI Utilization Results obtained from OHCA’s Imaging Questionnaire covering Calendar Year 2010.

13. The projected number of MRI scans that Mandel and Blau, M.D.s, P.C., estimated in its Certificate of Need proposal under Docket Number: 07-31073-CON for the acquisition of a MRI scanner at the Blue Back Square location for FYs 2008 through 2011 is presented in Table 4:

Table 4: Projected MRI Scanning Volumes at Blue Back Square Location

MRI Scanner:	FY 2008	FY 2009	FY 2010	FY 2011
Diamond 1.5 tesla	1,059	1,515	1,750	2,001

Final Decision, Finding of Fact 17, Docket Number: 07-31073-CON.

14. The actual number of MRI scans performed with the MRI scanner at the Blue Back Square location for FYs 2009 through 2012 is presented in Table 5:

Table 5: Actual MRI Scanning Volumes at Blue Back Square Location

MRI Scanner:	FY 2009	FY 2010	FY 2011	FY 2012
Diamond 1.5 tesla	428	487	457	432*

Note: *FY 2012 scan volume is a figure annualized based on 9 months actual data.

The Hospital of Central Connecticut indicated the decrease in the number of annual scans from FY 2010 to 2011 was attributable to referring physicians demanding real time access images via an electronic picture archiving and communications system, which the Blue Back Square location did not offer until calendar year 2012.

Exhibit A, pp. 11-12; Exhibit C, p.127.

15. The projected number of scans that will be performed by the MRI scanner for FYs 2013 through 2017 by location is presented in Table 6.

Table 6: Projected MRI Scanning Volumes by Location

Location:	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Blue Back Square	435	452			
New Cancer Center			562	738	746

Exhibit C, p.127.

16. The volume of scans that was projected by Mandel and Blau, M.D.s, P.C. in Docket Number: 07-31073-CON has not been realized nor is it projected to be realized through FY 2017. DN: 07-31073-CON, pp. 22-23, Exhibit A, pp. 11-12.
17. The Hospital of Central Connecticut indicates existing providers are not expected to be affected by the proposal as the MRI scanner will remain in its existing location during the two-year transition period and then will provide services primarily to the Hospital's future Cancer Center patients starting in 2014. Further, the Hospital of Central Connecticut claims existing referral patterns will not be significantly affected as a result of the proposal, since existing providers will be able to absorb the West Hartford volume without difficulty. Exhibit A, p. 10; Exhibit C, p. 111.
18. The Hospital of Central Connecticut asserts that the proposal will promote more efficient care and enhanced patient care coordination which will in turn result in improved care and greater cost efficiencies. Further, the Hospital of Central Connecticut asserts that acquisition of this imaging service by a non-profit hospital

will allow profits to be invested back into other essential health services. Exhibit A, p. 17.

19. The proposal has a total capital expenditure of \$300,000, which will be funded through the Hospital of Central Connecticut's own cash reserves. Ex. A, p. 15.
20. The Hospital of Central Connecticut projects the following incremental losses from operations with the proposed project:

Table 7: Projected Incremental Revenues and Expenditures with the Proposed Project

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Revenues from Operations	\$387,488	\$402,891	\$354,786	\$366,525	\$373,361
Total Operation Expense	\$754,958	\$645,504	\$538,470	\$540,388	\$541,086
Incremental Loss from Operations	(\$367,470)	(\$242,613)	(\$183,684)	(\$173,863)	(\$167,725)

Ex. A, p. 98; Ex. C, p. 133.

21. The Hospital of Central Connecticut projects the following overall gains from operations with the proposed project:

Table 8: Projected Overall Revenues and Expenditures with the Proposed Project

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Revenues from Operations	\$394,077,650	\$400,835,057	\$408,978,942	\$419,332,525	\$428,442,361
Total Operation Expense	\$376,635,567	\$386,016,802	\$393,727,117	\$402,748,388	\$411,488,086
Overall Gain from Operations	\$17,442,083	\$14,818,255	\$15,251,825	\$16,584,137	\$16,954,275

Ex. A, p. 98; Ex. C, p. 133.

22. The Hospital of Central Connecticut projects the following overall gains from operations without the proposed project:

Table 9: Projected Overall Revenues and Expenditures without the Proposed Project

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Revenues from Operations	\$393,690,162	\$400,432,166	\$408,624,156	\$418,966,000	\$428,069,000
Total Operation Expense	\$375,880,609	\$385,371,298	\$393,188,647	\$402,208,000	\$410,947,000
Overall Gain from Operations	\$17,809,553	\$15,060,868	\$15,435,509	\$16,758,000	\$17,122,000

Ex. A, p. 98; Ex. C, p. 133.

23. The maximum number of MRI scans required to show an incremental gain from operations for FYs 2013 through 2015 is 900 scans. Ex. A, p. 17.
24. The Hospital of Central Connecticut indicates that the current patient population mix for the MRI scanner at the Blue Back Square location will remain constant through FY 2014. The projected patient population mix is expected to minimally change over the first three fiscal years of operation (i.e. FYs 2015 through 2017) at the future Cancer Center location with a 7.22% increase in government patients and a 7.25% decreases in non-government patients. The current and projected patient population mixes are presented in Table 10.

Table 10: Current and Projected Patient Population Mix for the MRI Service

Payer Category	FYs 2012, 2013 and 2014	Projected FY 2015*	Projected FY 2016*	Projected FY 2017*
Medicare	13.20%	12.00%	12.20%	12.20%
Medicaid	.75%	6.00%	9.00%	9.00%
CHAMPUS & TriCare	.03%	.03%	.03%	.03%
Total Government	13.98%	18.03%	21.23%	21.23%
Commercial Insurers	77.78%	72.80%	68.77%	68.77%
Uninsured	1.18%	.80%	1.00%	1.00%
Workers Compensation	7.06%	8.37%	9.00%	9.00%
Total Non-Government	86.02%	81.97%	78.77%	78.77%
Total Payer Mix	100.00%	100.00%	100.00%	100.00%

Note: * For FYs 2015 through 2017 the Hospital used a blend of current patient population mix in the Blue Back Square location and at the Hospital's New Britain General Campus.

Ex. C, pp. 114 & 115.

25. OHCA is currently in the process of establishing its policies and standards as regulations. Therefore, OHCA has not made any findings as to this proposal's relationship to any policies and standards not yet adopted as regulations by OHCA. (Conn. Gen. Stat. § 19a-639(a)(1)).
26. OHCA recently published a statewide facilities and services plan. As the plan was not in circulation at the time the Hospital of Central Connecticut filed the CON application, OHCA has not made any findings as to this proposal's relationship to the plan. (Conn. Gen. Stat. § 19a-639(a)(2)).
27. The Hospital of Central Connecticut has not established that there is a clear public need for this proposal. (Conn. Gen. Stat. § 19a-639(a)(3)).
28. The Hospital of Central Connecticut has not satisfactorily demonstrated how this proposal will impact the financial strength of the health care system in this state. (Conn. Gen. Stat. § 19a-639(a)(4)).
29. The Hospital of Central Connecticut has failed to satisfactorily demonstrate that its proposal would improve the accessibility, quality or cost effectiveness of health care delivery in the region. (Conn. Gen. Stat. § 19a-639(a)(5)).
30. The Hospital of Central Connecticut has shown that there would be a marginal change to the provision of health care services to the relevant populations and payer mix. (Conn. Gen. Stat. § 19a-639(a)(6)).
31. The Hospital of Central Connecticut has satisfactorily identified the population to be served by their proposal, but has failed to satisfactorily demonstrate that this population currently has a need as proposed. (Conn. Gen. Stat. § 19a-639(a)(7)).
32. The historical utilization in the service area does not support this proposal. (Conn. Gen. Stat. § 19a-639(a)(8)).

33. The Hospital of Central Connecticut has failed to satisfactorily demonstrate that its proposal would not result in an unnecessary duplication of existing imaging services in the area. (Conn. Gen. Stat. § 19a-639(a)(9)).

DISCUSSION

CON applications are decided on a case by case basis and do not lend themselves to general applicability due to the uniqueness of the facts in each case. In rendering its decision, OHCA considers the factors set forth in § 19a-639(a) of the Statutes. The Applicant bears the burden of proof in this matter by a preponderance of the evidence. *Goldstar Medical Services, Inc., et al. v. Department of Social Services*, 288 Conn. 790 (2008).

The Hospital of Central Connecticut proposes to acquire a 1.5 tesla-strength MRI scanner from MRI of Farmington Avenue, LLC, and to continue the operation of the scanner at its current Blue Back Square location. FF 2,5. The Hospital of Central Connecticut plans to relocate the scanner to its future Cancer Center. However, it is currently under construction and not scheduled to be completed until the fall of 2014. FF 5.

The Hospital of Central Connecticut reports that over the last four fiscal years, FYs 2009 through 2012, the MRI scanner at the Blue Back Square location has only been performing, on average, 451 scans per year. FF14. Actual performance of the scanner represents approximately one-third of the projected utilization anticipated when Mandel and Blau, M.D.s, P.C., received Certificate of Need authorization from OHCA to acquire the scanner. At the time the Certificate of Need proposal was reviewed, Mandel and Blau, M.D.s, P.C. projected the MRI scanner would perform, on average, 1,581 scans per year in the first four years of operation, FYs 2008 through 2011. FF 13. At best, the Hospital of Central Connecticut can only project that the MRI scanner will perform on average 587 scans per year for FYs 2103 through 2017 (i.e. 444 scans per year for the two fiscal years at the Blue Back Square location and 682 scans per year for the three fiscal years at the new Cancer Center). FF 15.

It was initially expected that MRI scan volume would grow at the Blue Back Square location due to the capability of performing more technologically complex studies and breast imaging, as well as the location of the imaging center in immediate proximity to the surgery center. FF 2. However, the volume of scans that was projected has not been realized nor is it projected to be realized through FY 2017. FF16. In light of historical and projected utilization, patients' current MRI needs can be accommodated by the existing providers in the service area with the scanners currently in operation. FF 12.

While the Hospital of Central Connecticut's assertion that relocating an underutilized MRI scanner is an appropriate and an efficient allocation of resources, the actual and projected annual scan utilization for the MRI scanner are both extremely low for this type of imaging equipment. FF 8, 14, 15. Additionally, the actual commencement of services at the Hospital of Central Connecticut's future Cancer Center is not expected until sometime in the fall of 2014, so that any benefit to be derived at the Cancer Center will not be realized for nearly two years. FF 5. Consequently, the Hospital of Central Connecticut has failed to demonstrate that there is currently a clear public need to acquire the MRI scanner as proposed. FF 14,15,27.

There will be incremental losses from operations associated with the proposal for the first five fiscal years of operation, ranging from (\$367,470) in FY 2013 to (\$167,725) in FY 2017. FF 20. The maximum number of MRI scans required to show an incremental gain from operations for FYs 2013 through 2015 is 900 scans, nearly twice the number of annual MRI scans projected for this period. FF 15, 23.

Based on the low MRI volumes at the Blue Back Square location, and the speculative projected MRI scans at Blue Back Square and the future Cancer Center, any benefit to be derived by the acquisition will not be realized for a period of nearly two years. FF 5, 13-16. Moreover, as there are existing providers currently offering MRI services in the primary service area, there is ample access to MRI services. FF 12. Based upon the lack of sufficient evidence demonstrating that the Hospital of Central Connecticut's proposed project fulfills a clear public need, OHCA is unable to conclude that the Hospital of Central Connecticut's financial projections, and the volumes upon which they are based, are reasonable and achievable, or that the project is financially feasible. FF 27.

Order

Based upon the foregoing Findings and Discussion, the Certificate of Need application of the Hospital of Central Connecticut for the acquisition of a 1.5 tesla-strength, magnetic resonance imaging scanner from MRI of Farmington Avenue, LLC, in West Hartford, Connecticut at a total capital expenditure of \$300,000 is, hereby, **DENIED**.

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

2/19/13
Date

Lisa A. Davis
Lisa A. Davis, MBA, BSN, RN
Deputy Commissioner

*** TX REPORT ***

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STATE OF CONNECTICUT
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FAX SHEET

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DATE: 2/19/2013 Time: ~1:00 pm
NUMBER OF PAGES: 13
(including transmittal sheet)

Comments: Transmitted: Final Decision regarding
Hospital of Central Connecticut's Proposal to Acquire a
1.5 Tesla-Strength MRI Scanner from MRI of Farmington
Avenue, LLC
Docket Number: 12-31767-CON